QUESTION

(1) *Please elaborate on the different types of carpet customers (e.g., residential versus commercial), including:*

(a) *any differences in the needs of these customers;*

(b) *how the sales process differs for each type of customer;*

(c) *the proportion of the merging parties' sales that are made to each type of customer;*

(d) *the merging parties' view on whether it would be appropriate to define any relevant customer markets;*

(e) *the extent to which imported carpet is a constraint for all types of customers; and*

(f) *the extent to which hard flooring is a constraint for all types of customers.*

RESPONSE

1 The Commission's Merger Guidelines indicate (at paragraph 3.40) that, where relevant, the Commission may examine the ability of suppliers to discriminate between customers because their competitive alternatives vary. The example is given of Decision 658 involving Tegel Foods Limited and Brinks Group of Companies, where the merging chicken processors supplied three distinct customer groups with differing requirements: supermarkets requiring bulk supply; fast food chicken chains with highly specific product specifications; and fragmented food service customers. The Commission found that, because each customer group had different competitive alternatives, suppliers could price discriminate between them.

2 With supply of carpet and other flooring products, that ability to discriminate as between different customer groups does not occur. In Decision 628, the Commission noted that carpet manufacturers typically do not sell products directly to end users, whether residential or commercial. For residential applications, manufacturers predominantly sell carpet (and other flooring products) through retailers, who commonly operate through buying groups. The buying groups collectively exercise significant countervailing constraint, including through their ability to import directly. As residential customers purchase through retailers, competition among retailers ensures they themselves must pass on some of the benefits of their countervailing power to residential consumers.

3 Commercial customers, again as highlighted in Decision 628, also have the option to purchase through major retail groups or contract suppliers. Competitive pricing is maintained, with discounts reflecting the size of the order and the possibility that commercial customers may choose to import directly. As with residential customers, manufacturers for the most part supply commercial carpets to retailers or contract suppliers, rather than directly to end-users.

4 [REDACTED

].

5 [REDACTED

].

6 Imported carpet acts as a competitive constraint across all customer types – whether purchased directly by large commercial customers or through major retailer groups by smaller commercial or residential customers. The same applies in relation to hard flooring products, the great majority of which are imported.

QUESTION

(2) *Given Mohawk is the applicant for clearance and the acquiring entity will be Floorscape, please would you confirm that Mohawk is an interconnected body corporate of Floorscape, and describe the relationship between the two entities. It would also be helpful if you could include percentage shareholdings in the structure chart to be provided as Attachment E.*

RESPONSE

7 **Attachment E** shows Mohawk Industries, Inc. being the company listed on the New York Stock Exchange, together with all the Australian and New Zealand-domiciled companies relevant to the Proposed Transaction. Premium Floors Australia Pty Ltd, being a body corporate of which all those Australian and New Zealand companies are subsidiaries (within the meaning of section of the Companies Act 1993), is therefore treated as interconnected with each of them. That includes Floorscape Limited, of which company Premium Floors Australia Pty Ltd is the 100% shareholder.

8 Premium Floors Australia Pty Ltd itself is a 100% indirect subsidiary of Mohawk Industries, Inc. through a complex chain of subsidiaries domiciled and operating outside of Australia and New Zealand. These entities would not be relevant to the competition issues arising from the Proposed Transaction.

QUESTION

(3) *Please provide further information on the process for the merging parties to acquire 'strong wool', and the extent to which the proposed transaction could impact the competitive dynamics in any relevant markets for the acquisition of wool (or other products used in the manufacture of carpets). As part of this, please also advise the merging parties' top five suppliers (by value) of strong wool (if applicable/known).*

RESPONSE

9 The Commission has previously observed that strong "wool is an internationally traded commodity",[1] noting that this international dimension of the market precludes any potential suppression of strong wool prices below competitive levels:[2]

> *In the factual, **the national and international demand for wool will remain**. That is, wool merchants are intermediaries between producers and the final manufacturers or customers. Therefore, even if New Zealand wool prices to farmers were to drop below otherwise competitive prices, **merchants and buyers would have the incentive to purchase increased quantities of wool at this lower price, quickly bidding back up the price of wool**. However, as discussed above, Futures have questioned the amount of time it may take for this to occur, due to the barriers to merchants expanding*
>
> *Even if it did take some months for merchants to expand their market shares (which the Commission does not accept), it is unlikely that the price that merchants receive in international markets would be affected. As such, returns to New Zealand would be unlikely to decrease and any temporary drop in wool prices within New Zealand would tend to be a wealth transfer rather than a public detriment.*

10 While wool carpet is predominantly made using strong (not merino) wool, the Commission has observed the same dynamics in relation to merino wool:[3]

> *Merino wool is an internationally traded commodity, and New Zealand is essentially a price taker with very limited scope to influence global pricing. Accordingly, it is expected that **the prices achieved for merino wool sold at auction in New Zealand would reflect underlying global supply and demand conditions**.*

11 Accordingly, irrespective of the merged entity's combined share in the acquisition of wool in New Zealand, there would not be any prospect of it suppressing wool acquisition prices below competitive levels given that competition takes place in an international market; prices reflect underlying global supply and demand conditions; and if New Zealand wool prices to farmers were to temporarily "drop below

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[1] [233(d)]. Godfrey Hirst NZ Limited v The Commerce Commission HC WN CIV 2011-485-1257 [23 November 2011]

[2] Emphasis added. [334 and 335]. Decision No. 725. Cavalier Wool Holdings Limited and New Zealand Wool Services International Limited.

[3] Emphasis added. [94]. Decision No. 436. Newco and Merino New Zealand Limited and Wrightson Limited.

otherwise competitive prices, merchants and buyers would have the incentive to purchase increased quantities of wool at this lower price, quickly bidding back up the price of wool."

12 Further, even putting this international nature of the market to one side, the merged entity's combined share in the acquisition of New Zealand wool would be below the Commission's market share "concentration indicators":

13 The NZ Wool Industry fact sheet published by the Beehive (attached as **Attachment L**) indicates that New Zealand now produces around 100,000 tonnes each year of strong wool of the kind mostly used to manufacture carpet and rugs. Godfrey Hirst currently uses [REDACTED] tonnes – or less than [REDACTED] of that total – annually for its carpet products. Bremworth currently uses [REDACTED] tonnes – only [REDACTED] of that total – annually for its carpet products. Thus, the current acquisition of strong wool by the merged entity would be well below 10% of the total strong wool clip.

14 Meanwhile, a 2024 report from Wool Impact states that approximately 15,000 tonnes of clean wool are currently used in domestic manufacturing to produce products for both local and export markets. This usage is primarily yarn and carpet manufacturing, as well as other core products such as non-woven materials for bedding and furniture. Wool Impact also provides a Wool Brand Directory, listing the following companies as acquirers and processors:

ACRUX Wool Systems;

AgWool;

Autex Acoustics;

Bremworth;

CommonKind;

Custom Carpets New Zealand;

Dilana;

DVS;

FibreTech;

Godfrey Hirst;

Heritage Carpets;

Inter-weave;

John Marshall & Co;

Maxwell Rodgers;

Signature Floors;

Simon James;

T&R Interiors;

Terra Lana Products;

Textilia;

Wool Technologies;

Wool.Life; and

Wools of New Zealand

15 While Godfrey Hirst and Bremworth are both acquirers and users of strong wool, the largest proportion of strong wool – around 85% - in fact is exported. This will not change as a result of the Proposed Transaction.

16 [REDACTED

].

17 [REDACTED

].

QUESTION

(4) *In Part 6 (counterfactual), please clarify the likely counterfactual scenario for Mohawk in New Zealand (ie, what would Mohawk likely do in New Zealand if the proposed transaction did not proceed).*

RESPONSE

18 [REDACTED].

19 [REDACTED].

20 [REDACTED]:

20.1 [REDACTED];

20.2 [REDACTED];

20.3 [REDACTED];

20.4 [REDACTED];

20.5 [REDACTED]; and

20.6 [REDACTED].

21 [REDACTED].

22 [REDACTED].

23 [REDACTED].

QUESTION

(5) *In or prior to Part 7 (competition analysis), please elaborate on the current degree of and nature of competition between Godfrey Hirst and Bremworth.*

RESPONSE

24 The term "competition" is defined in section 3(1) of the Commerce Act to mean "workable" or "effective" competition. Those terms connote outcomes that are practical, rather than theoretical. They contemplate a market that will be sufficiently competitive to constrain prices, maintain quality, and ensure efficiency.

25 Historically Godfrey Hirst and Bremworth competed rigorously across all customer segments in broadloom wool carpet and synthetic carpet. In 2020 however Bremworth determined to adopt an ambitious "all-wool" policy and ceased producing and supplying its synthetic carpet range.

26 In terms of the above competition criteria, for the last five years Godfrey Hirst has been experiencing declining competition from Bremworth; while competition from imports of carpet and hard flooring products has continued to increase. That is well illustrated by Appendix 5, which shows Bremworth's share of wholesale carpet supply for FY22, FY23 and FY24 as a mere fraction of imports; and still reducing. Bremworth's just released Annual Report for FY25 shows an even worse outcome for that year, which it describes as "a year of survival". Indeed Bremworth's new Chair and CEO openly acknowledge that:

> "FY25 proved to be the most testing period in Bremworth's modern history…"

27 The nature of, and reasons for, Bremworth's difficulties are outlined in the Notice. Its now abandoned strategy of producing only woollen carpet meant Bremworth's participation was confined to a limited segment of the flooring market. Meanwhile, its focus on producing only "the highest quality carpet" and maintaining a brand strongly associated with "quality and luxury" further reduced that segment. [REDACTED].

28 Since abandoning its "all-wool" policy Bremworth has announced it is "re-entering its largest segment of the carpet market with four new synthetic ranges". It is far too early to say whether that re-entry will prove successful. But, if Bremworth were to manage to return to participating in all carpet segments as previously, competition between Godfrey Hirst and Bremworth would likely revert to the following form:

28.1 In residential, which is the most significant part of the market by volume and total value, Bremworth and Godfrey Hirst sell products into the carpet retailers - both the retailer groups and independents. Both parties have sales representatives, samples, stands, point of sale and promotional activity that occurs with these retailers. This occurs nationwide.

28.2 For the commercial market, Bremworth and Godfrey Hirst try to win contracts or projects across the various commercial segments. These can be aged care/retirement living, commercial buildings, education, group home builders, social housing including Kainga Ora and so on. This can be done directly with developers or construction companies, with commercial flooring retailers (such as those identified already in Appendix 6). In addition, both Bremworth and Godfrey Hirst work with architects and designers to influence and gain specifications at the design stage of a project.

28.3 Bremworth does not currently compete with Godfrey Hirst in hard flooring or in carpet tiles as they have chosen not to distribute or manufacture these products.

29 It should be stressed that Bremworth's possible return to broad and effective competition has not yet occurred. For the moment Godfrey Hirst regards Bremworth as a competitor with a brand that surpasses its performance; and one that currently continues to provide limited competition. Most competitive tension comes from imports and the threat of retailers' increased resort to imports.

30 It should also be noted that Bremworth has made a number of public statements, over a number of years, that competition from imported synthetic carpet products is increasing. See examples from shareholder and investor materials **below**.

Annual Meeting – November 2014

31 Annual Meeting – November 2014 – Bremworth Wool Carpets New Zealand (link)

> *The issues facing the Group at the present time fall into two broad categories – the first emanating from the permanent structural changes to our markets that commenced in 2011/12 and the second coming from the current high NZD:AUD cross rate and wool price. I will now address each of these. Permanent structural changes to our markets Shareholders would recall that 2011/12 was a horrible year for the core broadloom carpet business. First, there was the extreme economic downturn on both sides of the Tasman. Then, there was the enormous and unprecedented spike in wool price that started the year before. And even as we were trying to manage our way through these, we were confronted by a flood of synthetic carpet imports into the Australasian markets brought on by the weak US dollar and the significant excess capacity offshore.*
>
> *The carpet tile business has also not been immune, with the strong AUD:USD opening the doors to cheap imports into its main market, Australia.*
>
> *The structural changes brought about by the flood of imports into New Zealand and Australia on our broadloom and tile businesses are permanent.*

Investor Presentation – February 2018

32 Investor Presentation – Cavalier Corporation (link)

32.1 Consolidation of retailers into groups (pressure on margins) – power shift to retailers.

32.2 Flood of imported product (synthetics) helped by a strong NZD:USD.

32.3 Increasing competition from low cost imported tiles.

Annual Report 2025

33 Annual Report 2025 – Reset, Rebuild, Return (link)

33.1 Price competition intensifying.

QUESTION

(6) *To accompany the structure charts provided in Attachment E and Appendix 2, please include a chart showing the post-acquisition structure of the Mohawk Group as it relates to New Zealand.*

RESPONSE

34 The likely post-acquisition structure of the Mohawk Group so far as it relates to New Zealand (and Australia) has not yet been determined.

35 For the present, the Scheme Implementation Agreement provides that Floorscape Limited – being a wholly owned indirect subsidiary of Mohawk Industries, Inc. – will acquire 100% of the shares of Bremworth.

QUESTION

(7) *In addition to the revenue information provided in Appendix 5, please provide volume and wholesale carpet manufacturing capacity figures for the merging parties for the past three financial years.*

RESPONSE FROM GODFREY HIRST

36 Attached separately (confidential).

RESPONSE FROM BREMWORTH

37 The Information Memorandum (at page 6) describes current capacity for Bremworth but not prior years (i.e. effect of Cyclone Gabrielle on Napier yarn plant not detailed):

37.1 Napier (carding and spinning):

- FY23: [REDACTED] of yarn per annum – *Note that this assumes a full year of operation (Cyclone Gabrielle was in Feb-23, so the plant was not operational for March – June)*

- FY24 & FY25: Plant offline following Cyclone Gabrielle

37.2 Whanganui (carding and spinning):

- FY23-FY25: [REDACTED] of yarn per annum.

37.3 Auckland (tufting):

- FY23-FY25: [REDACTED] lm of carpet (with capability to support both woollen and synthetic yarn).

38 Note: the figures above are estimates of maximum plant capacity and assume each site runs a 3 x 8-hour shift pattern 5 days per week.

QUESTION

(8) *In Part 4 (the parties), please provide a more detailed description of Bremworth's operations and product mix. While we appreciate that further information about Bremworth’s operations will be in the Information Memorandum (as noted in paragraph 46), we understand that your intention is to provide the Information Memorandum on a confidential basis meaning readers of the public version of the application will not have the benefit of this document.*

RESPONSE FROM BREMWORTH

Bremworth’s operations

39 Bremworth operates three manufacturing facilities:

39.1 Napier site (8,000sqm) – Bremworth’s Napier site currently only has dyeing operations due to the impact of Cyclone Gabrielle on parts of the site. Reinstatement is progressing to return to the site into a fully functioning yarn plant. The first carding machine has been reinstated as of July, with the second machine due to be reinstated by the end of October 2025, allowing complete inhouse woollen spun yarn production.

39.2 Whanganui site (8,200sqm) – Bremworth’s Whanganui site has wool blending, carding, spinning, winding and twisting capability. This site produces all of Bremworth’s speciality felted yarn.

39.3 Auckland site (11,000sqm) – Bremworth’s Auckland manufacturing site undertakes tufting, backing and finishing processes for woollen carpets, with the capacity to also tuft synthetic carpets.

40 Elco Direct is Bremworth’s wholly owned wool buying subsidiary, which buys all wool (main clip, oddments and dags) directly from farms and sells to preidentified end users including Bremworth, domestic buyers and exporters. Elco sources the majority of Bremworth’s wool.

Bremworth’s product mix

41 Bremworth currently produces wool carpets across four product collections with each associated with different price points:

41.1 Bremworth Collection – consists of both loop pile and cut pile styles of felted wool carpets and are Bremworth’s premier products. Represented ~[REDACTED] of sales volume in FY25.

41.2 Aspire Collection – consists of loop pile, cut pile and plush cut pile styles of wool carpet. Represented ~[REDACTED] of sales volume in FY25.

41.3 Lifestyle Collection – consists of loop pile and cut pile styles of wool carpet and is the largest contributor to Bremworth’s carpets volume (~[REDACTED] in FY25). This is used for Bremworth’s white label carpet [REDACTED].

41.4 Commercial – used for projects with smaller builder, developers and large-scale projects. Represented [REDACTED] of sales volumes in FY25.

42 Note: The sales volume contributions exclude other carpet sales such as production specials and discontinued ranges.

43 Bremworth has announced it intends to release a range of synthetic carpets produced at its Auckland manufacturing plant, reversing a 2020 strategy of only producing wool carpets. The Auckland site will tuft synthetic yarn to create synthetic carpets.

44 [REDACTED].

QUESTION

(9) *Please explain how the market share figures in Appendix 5 were calculated (including any assumptions made in calculating the revenue figures).*

RESPONSE

45 The market share is calculated using the following sources of data:

45.1 Import Statistics from Department of Statistic's Infoshare site / imports and exports / Harmonised Trade – Imports / Cat 57 "Carpets and other textile floor coverings" using value at "cost including insurance and freight";

45.2 Financial Statements of Bremworth based on segment splits as disclosed;

45.3 Godfrey Hirst internal sales data; and

45.4 Estimated sales of other manufacturers (assumed sales based on GH sales team knowledge of the industry).

46 All information is based on the calendar year (i.e. years ended 31 December).

Calculation of Imports at Wholesale

47 Imported statistics are downloaded from the above source for all countries and sub-categories with Cat 57 "Carpets and other textile floor coverings". From this data, all subcategories with a description indicating a size of less than $4m^2$ are removed, except for specific categories labelled as Carpet Tiles. This approach is intended to exclude all imports of rugs.

48 Calculate the value of carpet Godfrey Hirst imports from Godfrey Hirst internal data. This is done to avoid double-counting GH imports in both the "Import" figures and the "GHNZ" figures. It is also assumed that Carpet Mill imports a small quantity of product, which is similarly excluded.

49 This process provides a value for imports (excluding any imports from local manufacturers) at cost plus insurance plus freight (CIF). This value is then grossed up to represent a wholesale figure. The gross-up calculation assumes that 20% of imports are imported in by wholesalers, with the remaining 80% sold directly to retailers or customers. For the 20% imported by wholesalers, a 20% mark-up is applied to the CIF cost price to determine the wholesale value. (Total Imports at Wholesale = 20% of imports at CIF with a 20% mark-up, plus 80% of imports at CIF).

Calculation of NZ Manufacturers at Wholesale

50 Bremworth sales at Wholesale – This is calculated using published financial statements and is net revenue for carpet within New Zealand segment of their business.

51 Godfrey Hirst sales at Wholesale – This is calculated using internal net revenue data for carpet and tile sales to the New Zealand market.

52 Other Manufacturers at Wholesale – This is based on an internal estimate using Godfrey Hirst sales teams' knowledge of the market. We do not have access to financial or sales data as this is not publicly available.

QUESTION

(10) Please elaborate on the current key requirements (including potential cost/time considerations) for:

(a) a manufacturer of carpet to enter/expand into New Zealand (for example, what would be required for a new entity to start manufacturing carpet in New Zealand, or for an entity such as Carpet Mill to grow its operations); and

(b) an importer of carpet to enter/expand (for example, what would be required for an overseas-based carpet manufacturer, with no existing presence in New Zealand, to start importing carpet into New Zealand, or for an existing importer of carpet to expand its importing operations).

RESPONSE – 10(A)

53 The Commission considered potential competition for new entry briefly in Decision 628. It said then (at paragraph 72) that:

> *None of the industry participants survey by the Commission considered that de novo entry as a New Zealand based manufacturer of carpets was likely.*

54 The market was seen as too small to support the investment and other structural requirements.

55 However, "nearly all industry participants advised that de novo entry was likely to come from imports."

56 Those conclusions still hold. The analysis below demonstrates that greenfields entry by a carpet manufacturer would be both expensive and time-consuming. A new manufacturer would be required to make significant capital investments to establish both a yarn plant and a tufting plant, as outlined below.

Yarn plant

57 The assumption is made that this entity would be of a similar size to Bremworth, with a requirement of 7 tonnes of woollen yarn per day.

- Factory / Warehouse: Approximately 7,500 sqm required (5,000 sqm for factory and 2,500 sqm for warehouse), assumed to be leased at $160 per sqm.
- Carding: 4 x carding lines at $1 million each; one-off capital investment of approximately $4 million.
- Spinning: 8 x spinning frames at $200,000 each; one-off capital investment of approximately $1.5 million.
- Dyeing / Blending: 2 vats, 2 bins, and associated equipment; one-off capital investment of approximately $600,000.
- Finishing: Twin coners, twisters, IDS; one-off capital investment of approximately $300,000.
- Boiler, Infrastructure, and Compressor: One-off capital investment of approximately $2 million.

- Engineering Workshop, Equipment, and Critical Spares: One-off capital investment of approximately $2 million.

- Leased Equipment: Elevated work platform (1) at $1,200 per month; forkhoists (2) at $1,300 per month; electric pallet truck (1) at $1,000 per month.

- Raw Materials: Fibre, synthetic yarn, chemicals, packaging—estimated at $1 million per month; dyes require an initial set-up cost of $500,000, then approximately $120,000 per month ongoing.

- Human Resources: Approximately 126 staff required, working across three shifts, including operators, engineers, electricians, leadership, HR, health and safety, administration, purchasing, planning, and warehousing.

58 Note:

58.1 It is estimated that a new entity would require approximately two years to become fully operational, due to lead times associated with machinery procurement and factory set-up.

58.2 The assumption is that all machinery will be sourced second-hand.

Tufting plant

59 Estimated production is 1,600 linear metres per day (100% woollen).

- Factory / Warehouse: Approximately 14,000 sqm required, assumed to be leased at $160 per sqm.

- Tufters: Minimum of 7 tufters of varying capability would be required, to be purchased from outside New Zealand; one-off capital investment estimated at $10 million to $14 million.

- Supporting Machinery & Equipment: Includes warpers, creels, knife grinding equipment, cut table, perch, and critical spares; one-off capital investment of approximately $1.5 million, with ongoing critical replacement costs of $150,000 per quarter.

- Finishing Line, Boiler, and Tanks: One-off capital investment of approximately $7 million.

- Warehouse Set-up and Racking: One-off capital investment of approximately $1 million, including sprinkler system.

- Leased Equipment: Elevated work platform (1) at $1,200 per month; forkhoists (7) at $1,300 per month.

- Raw Materials: Fibre, latex, backings, cores, whitener (assuming two months' supply due to import requirements); initial investment of $1 million to $1.5 million, with ongoing monthly expenditure required to maintain inventory levels (subject to a 10% +/- variance).

- Human Resources: Approximately 60 staff required, including operators, engineers, electricians, warehousing, leadership, planning, and administration.

60 Note:

60.1 It is estimated that a new entity would require approximately two years to become fully operational, due to lead times associated with machinery procurement and factory set-up.

RESPONSE – 10(B)

Importer (warehousing only)

61 Depending on sales, it is assumed that inventory held would equate to approximately 2.5 months' supply (80,000 metres).

- Warehouse: Approximately 3,500–4,500 sqm required, assumed to be leased at $160 per sqm.

- Warehouse Set-up and Racking: One-off investment of approximately $1 million (including sprinkler system).

- Leased Equipment: Elevated work platform (1) at $1,200 per month; forkhoists (3) at $1,300 per month.

- Human Resources: Approximately 8 staff required, including warehousing, leadership, planning, and administration.

QUESTION

(11) *Thank you for the helpful overview of the carpet manufacturing process at our pre-notification discussion – please would you include some information on the manufacturing process for carpet in the application (including the different input materials, methods of manufacture, and the extent to which the productivity of the machines differs depending on the material being used).*

RESPONSE

How Godfrey Hirst and Feltex carpets are made

62 Godfrey Hirst and Feltex carpets are made in New Zealand and Australia using both New Zealand wool and synthetic fibres. Our manufacturing combines traditional craftsmanship with the latest technology – from fibre preparation to tufting and finishing – to create carpets renowned for beauty, comfort and durability.

Fibre sourcing and preparing

Wool carpets – 100% New Zealand wool

63 Godfrey Hirst and Feltex use only high-quality New Zealand wool. The wool is scoured and processed across our three specialist New Zealand plants: Dannevirke, Lower Hutt and Oamaru. This fully local, vertically integrated process ensures complete control over fibre quality, colour, and texture – turning NZ fleece into premium yarns ready for tufting.

63.1 Scouring – cleaning the raw fleece

- Freshly shorn wool is scoured (washed) by Woolworks to remove natural oils, lanolin, dust, and vegetable matter. This process uses high-efficiency washers and eco-friendly detergents, producing clean, fluffy fibre ready for blending.

63.2 Dyeing – colouring the yarn

- In this process, loose scoured fibre is dyed by Godfrey Hirst before spinning, allowing for subtle tonal variations and rich, natural-looking depth of colour. This method ensures the colour runs evenly through the fibre, giving the final carpet excellent fade resistance and visual warmth.

63.3 Blending and carding – creating a uniform fibre mix

- The clean wool is then blended to achieve consistent colour and fibre length. It passes through carding machines, which comb and align the fibres into soft, continuous webs known as slivers. This step evens out natural variations and ensures uniformity across large production runs.

63.4 Pinning and drawing – strengthening the sliver

- Multiple slivers are combined and gently drawn out into a more refined, uniform strand. Pinning improves fibre alignment and consistency – critical for spinning smooth, strong yarn. The resulting rovings are now ready for spinning.

63.5 Spinning – turning fibre into yarn

- The rovings are spun into yarn using ring or worsted spinning systems, depending on the carpet type. This twisting action binds the fibres together, creating strength and elasticity. Multiple yarns can then be plied (twisted together) for extra bulk or texture.

63.6 Heat-setting and finishing – locking in the twist

- Finally, the yarn is heat-set, a process using controlled steam and temperature to stabilise the twist. This ensures the yarn keeps its shape during tufting and everyday wear, preventing untwisting or fuzzing. The finished wool yarn is then wound onto cones or spools, fully tufting-ready and quality tested for tensile strength, colour fastness, and consistency.

Synthetic carpets

64 Godfrey Hirst and Feltex synthetic carpets are made from three primary fibre types, each chosen for specific performance benefits. These fibres are imported primarily from the Middle East as ready-made yarns, ensuring consistent quality and colour stability right from the source. Importing directly in yarn form allows for efficient manufacturing and tight quality control at our carpet tufting sites.

64.1 Triexta is a next-generation polymer partly made from renewable plant-based ingredients. Naturally soft, resilient, and highly stain-resistant without chemical treatments. Excellent for family homes.

64.2 Polyester is known for rich colour clarity and softness underfoot. Cost-effective and fade-resistant, ideal for bedrooms and light residential areas.

64.3 Solution-Dyed Nylon (SDN) is the most durable synthetic fibre. Colour pigment is added during extrusion, so the colour runs through the entire fibre. Exceptional resilience, fade resistance, and wear performance for high-traffic areas.

Tufting – turning yarn into carpet

65 Tufting is the heart of modern carpet making, where precision machinery transforms yarn into textile.

65.1 Needles and yarn feed – Thousands of fine needles are mounted on a moving tufting head. Each needle carries a strand of yarn and pierces the primary backing fabric (woven polypropylene), pushing the yarn through to the front.

65.2 Loop formation – As the needle withdraws, it leaves behind a loop of yarn, forming the basic pile structure.

- Loop pile carpets: the loops are left uncut, giving a textured, durable surface.

- Cut pile carpets: a small blade cuts the top of each loop, creating individual upright tufts for a plush, velvety feel.

65.3 Patterning and control – Modern tufting machines are computer-controlled. The machine precisely moves the backing fabric and adjusts needle positions, enabling:

- Multi-colour designs using different yarns.

- Varying pile heights for sculpted or textured patterns.
- Accurate density control for durability and comfort.

65.4 Speed and efficiency – High-performance machines can tuft over 1,000 rows of stitches per minute across wide carpet widths (often 3.66 m), ensuring consistent quality across every roll.

65.5 The backing system gives carpet its dimensional strength and ensures the tufts stay firmly in place. It has two layers, each with a distinct purpose:

- Primary backing: The base fabric into which the yarn is tufted. It holds the tufts in position and defines the initial structure of the carpet.
- Secondary backing: Added after tufting. A layer (usually jute or synthetic polypropylene) is laminated to the back using latex adhesive, locking in the tufts and stabilising the structure.

Finishing and quality control

66 After tufting and backing, the carpet moves to the finishing line, where it undergoes a series of steps to ensure it is fully prepared for use.

66.1 Latex Application: The carpet is coated on the underside with latex adhesive, which permanently secures the tufts in the backing.

66.2 A secondary backing layer is laminated over the latex. This adds strength, prevents stretching, and helps the carpet lie flat over time. Usually, Wool carpets latex bonds the yarn to jute backing, while synthetic carpets: latex bonds the yarn to synthetic backing.

66.3 Steaming and Drying: The carpet passes through heated steaming and drying chambers. Steaming relaxes fibres, while drying locks the pile in place and sets the final texture and shape.

66.4 Application of Treatments (Optional): Protective coatings such as stain-resist, soil-resist, or anti-static finishes may be applied depending on carpet type.

66.5 Inspection and Testing: Every roll is visually checked for colour consistency, pile density, and pattern accuracy. Samples are tested at random for tuft bind strength and dimensional stability.

67 Any issues are corrected, ensuring only the highest-quality carpet leaves the mill.

68 Note: This description was prepared originally for marketing purposes. As such it is descriptive rather than technical in nature.

QUESTION

(12) Further to the information requested at (1)(b), please include further general commentary on the sales/distribution process for carpet in the application (i.e., how Godfrey Hirst's and Bremworth's manufactured products ultimately reach their end consumers). As part of this, please provide information on the arrangements that the merging parties have with retailers and the proportion of the merging parties' sales that are made through each key retailer.

RESPONSE FROM GODFREY HIRST

69 As previously illustrated in the notice seeking clearance, the sales and distribution process for carpet (and hard flooring products) is not easily categorised into clearly defined customer groups or purchasing methods. Different customers have varying requirements, which may necessitate different sales and distribution processes.

70 For Godfrey Hirst, the process starts with carpet manufacturing and warehousing. This is where Godfrey Hirst forecasts sales based on historical data, which informs raw material orders and manufacturing planning. Synthetic yarn is sourced from India or China, while woollen yarn is produced locally at sites in Oamaru, Lower Hutt, and Dannevirke, using wool bought at auction and imported dyestuffs. Other key materials, such as backing, are sourced from the Middle East, Bangladesh, and Asia, while latex comes from Indonesia and Europe, and whiting/lime from Otorohanga. Finished carpets are stored as rolls in carpet warehouses and are often cut to size for retailers or installers. Labour and logistics are managed according to these forecasts.

71 For both residential and commercial customers, purchasing options include retailer groups, contract suppliers, or carpet installers. For residential applications, Godfrey Hirst predominantly sells its carpet (and other flooring products) through retailers, who may operate as part of buying groups or as independents. Similarly, commercial customers typically purchase through major retail groups or contract installers, with pricing influenced by factors such as order size and the potential for direct imports. Godfrey Hirst conducts the majority of its commercial contracts through retailers or installers, with only limited direct interaction with end-users. In those instances, end-users typically negotiate a central buying contract with Godfrey Hirst and subsequently purchase either through an installer or retailer, or, in some cases, directly from Godfrey Hirst.

72 Retailers generally fall into three categories. [REDACTED].

73 [REDACTED].

74 However, a significant proportion of Godfrey Hirst's sales are made to independent retailers, who are not affiliated with buying groups. In these cases, [REDACTED

].

75 Once retailers have placed their orders – typically based on stock requirements, specific customer jobs, or to take advantage of promotional pricing – products are shipped on the requested date. In most cases, delivery is undertaken by truck, with carpet and other flooring products transported to the retailer's premises and unloaded using specialised equipment. While some Auckland-based installers collect products directly from the factory, the majority of distribution is managed by trucks, either contracted by Godfrey Hirst or provided by third-party logistics companies such as Toll. For deliveries to the South Island, products are transported by rail, with final distribution to retailers completed by truck thereafter.

76 In 2024, Godfrey Hirst's sales were made with the following key carpet retailers:

76.1 Carpet Court (Retail Group) – [REDACTED].

76.2 Harrisons Flooring (Retail Group) – [REDACTED].

76.3 Flooring Xtra (Retail Group) – [REDACTED].

76.4 Flooring Design (Retail Group) – [REDACTED].

76.5 Rymans (End User) – [REDACTED].

76.6 KO Contractors (Installers Govt KO Contract) – [REDACTED].

76.7 Hills (Commercial specific retailer) – [REDACTED].

76.8 Lovich (Commercial specific retailer) – [REDACTED].

76.9 Independents (various independent retailers) – [REDACTED].

77 The sales and distribution process for Godfrey Hirst, as well as the wider New Zealand flooring solutions market, is being significantly disrupted by imports. This is exemplified by the shift in sales between Godfrey Hirst and Harrison's, with Harrisons moving to imported flooring products towards the end of 2023. The sales figures between Godfrey Hirst and Harrisons, set out below, illustrate the impact that imports have on the business of a local manufacturer.

80.1	**2025** (YTD 30 Sep)	**2024**	**2023**	**2022**	**2021**
Sales to Harrisons as % of GHNZ sales	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

RESPONSE FROM BREMWORTH

78 Bremworth's finished products are warehoused on site at Bremworth's 3,400sqm Auckland warehouse and has rental space available with a 3PL provider. The majority of carpet sales are facilitated through retailers. Bremworth has a direct-to-consumer rugs offering, however, there is very limited volume. Bremworth also previously sold production specials through their outlet store at Papatoetoe (direct-to-consumer), but this has now closed. The Bremworth Distribution Centre prepares and dispatches rolls, with delivery to stores facilitated by third parties.

79 Bremworth has arrangements with the following key carpet retailers:

79.1 Flooring Xtra – Bremworth has a presence in all 65 Flooring Xtra stores, which contribute [REDACTED] of Bremworth's New Zealand sales.

79.2 Carpet Court – Bremworth has a presence in all 65 Carpet Court stores, which contribute [REDACTED] of Bremworth's New Zealand sales.

79.3 'Indy Club' stores (selected group of top independent retailers) – Bremworth has a presence in 23 stores, which contribute [REDACTED] of Bremworth's New Zealand sales. Store sales are weighted towards the premium Bremworth collection.

79.4 Other independents – Bremworth has a presence in 23 stores, which contribute [REDACTED] of Bremworth's New Zealand sales.

79.5 Harrisons Flooring – Bremworth has a presence in 52 stores, which contribute [REDACTED] of Bremworth's New Zealand sales.

79.6 Commerce retailers – Bremworth has a presence in 22 stores, which contribute [REDACTED] of Bremworth's New Zealand sales.

80 Note: Figures are approximate contributions based on data per the Information Memorandum and excludes "Other" NZ retailers (8 stores, [REDACTED] contribution).

QUESTION

(13) Paragraph 84 states that "it is understood that Carpet Mill has significant capacity to increase production and other supply". It would be helpful if you would please elaborate on this, including any estimates of the additional capacity.

RESPONSE

81 The manufacturing capacity of a carpet mill is unique to each factory. It is determined by the mill's specific machinery, production process and scale of its operations. According to its website, Carpet Mill installs an average of 1464 square meters of flooring per day. Based in Hamilton, Carpet Mill has a long carpet manufacturing and retailing history. The website states that Carpet Mill provides "competitively prices carpets in wool and synthetic fibre, all manufactured in our state-of the-art factory." Presumably that factory's output equates with the almost 1500 square meters laid daily. No specific output figures are provided. There is no indication that Carpet Mill's presently operates multiple shifts at its factory to maintain that output. Its ability to do so, however, suggests that Carpet Mill has significant capacity to increase production of carpet. And clearly, Carpet Mill could increase its importation of hard flooring products to complement that.

QUESTION

(14) As regards the NERA report:

(a) please provide the underlying data/code used in creating the report; and

(b) for figures 3-6, please provide the sales data for all Godfrey Hirst SKUs (not limited to the sample of SKUs charted) and an explanation of how this sample of SKUs was selected.

RESPONSE – 14(A)

82 Attached separately (confidential).

RESPONSE – 14(B)

83 Attached separately (confidential) is spreadsheet containing data for the SKUs depicted in Figures 3-6, as provided to NERA from Godfrey Hirst. NERA was not provided with equivalent data for any other SKUs.

ATTACHMENT M – MOHAWK INDUSTRIES, INC. ANNOUNCES PURCHASE OF GODFREY HIRST GROUP

Attached separately.