

Godfrey Hirst - proposed acquisition of Feltex Carpets

Type of assessment	Informal Review
Reference	24929
Acquirer(s)	Godfrey Hirst Australia Pty Ltd
Target(s)	Feltex Carpets
Industry	Carpet manufacturing and supply
Summary	Godfrey Hirst Australia Pty Ltd - proposed acquisition of Feltex Australia Pty Ltd
Outcome of assessment	Not opposed
Total review days *	36
Commenced public review	6 th July 2006
Date completed	24 th August 2006
Market definition	National market for carpet manufacturing and supply.
Competition analysis	<p>The merged business would manufacture and distribute to retailers and the commercial sector (e.g. property developers and building owners) a substantial proportion of carpet sold in Australia. However, the ACCC was satisfied that the merged business would be competitively constrained by:</p> <ul style="list-style-type: none"> * imports at all quality levels (excluding carpet imported by the merger parties). Market inquiries suggested that lower quality carpet imports from China were becoming increasingly competitive, as were higher quality imports from e.g. New Zealand and the US. Tariffs on carpet have fallen from 35 per cent in 1990 to 10 per cent in 2006, and are scheduled to fall to 5 per cent by 2010; * other Australian carpet manufacturers, particularly at higher quality levels; and * the potential for at least some consumers to switch to other types of flooring if carpet prices rise. Market inquiries generally, but not universally, supported the contention that other types of flooring compete with carpet. All major carpet retailers sell other types of flooring. While there appears to be a general consumer preference for carpet in some areas (e.g. bedrooms) and for hard flooring in others

	<p>(e.g. bathrooms), there are some areas (e.g. living areas) where either is used. In these areas, while some customers have a pre-existing preference for one type of flooring, market inquiries suggested that a not-insignificant group of consumers compare prices and quality for different types of flooring before choosing a flooring type.</p> <p>During market inquiries, a concern was raised that the merged business would be the only Australian manufacturer of wet-dyed nylon carpet. However, market inquiries indicated that other types of carpet would be acceptable substitutes for Australian-manufactured wet dyed nylon.</p>										
<p>Review timeline</p>	<table border="1"> <thead> <tr> <th data-bbox="454 616 630 660">Date</th> <th data-bbox="630 616 1347 660">Event</th> </tr> </thead> <tbody> <tr> <td data-bbox="454 660 630 750">6th July 2006</td> <td data-bbox="630 660 1347 750">ACCC commenced review based upon speculation regarding several unknown acquirers</td> </tr> <tr> <td data-bbox="454 750 630 840">31st July 2006</td> <td data-bbox="630 750 1347 840">Closing date for market inquiries</td> </tr> <tr> <td data-bbox="454 840 630 929">2nd August 2006</td> <td data-bbox="630 840 1347 929">ACCC became aware that Godfrey Hirst was a proposed acquirer</td> </tr> <tr> <td data-bbox="454 929 630 992">24th August 2006</td> <td data-bbox="630 929 1347 992">ACCC announced findings</td> </tr> </tbody> </table>	Date	Event	6 th July 2006	ACCC commenced review based upon speculation regarding several unknown acquirers	31 st July 2006	Closing date for market inquiries	2 nd August 2006	ACCC became aware that Godfrey Hirst was a proposed acquirer	24 th August 2006	ACCC announced findings
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