

**Notice seeking clearance for IKO to acquire all of the
shares of Ross Roof Group Limited**

May 2021

EXECUTIVE SUMMARY

IKO seeks clearance to acquire Ross Roof Group

IKO is a Canadian roofing company that owns New Zealand-based Roof Tile Group Limited (trading as **Gerard**). Gerard cuts and presses steel roofing tiles in Auckland that it sells locally around New Zealand and into export markets (around [] of its total sales by volume).

IKO is seeking clearance to acquire all the shares of Ross Roof Group Limited (**Ross Roofs**). Ross Roofs also presses steel roofing tiles in Auckland. Approximately []% of Ross Roofs' tiles are sold overseas.

IKO wishes to acquire Ross Roofs to gain scale and production efficiencies to justify the significant investment that Gerard needs to make in new premises. (Currently, the two firms are operating at just ~[]% of their combined pressing capacity).

New Zealand roofing product market

Gerard and Ross Roofs' steel tiles compete against long-run steel roofing, asphalt shingles, concrete tiles and other "premium" roofing products (like terracotta tiles, cedar shakes, slate tiles) across New Zealand.

Gerard's view that there is a New Zealand roofing market is consistent with previous Commission decisions on roofing products.

No substantial lessening of competition

Combining Gerard and Ross Roofs will not substantially lessen competition in the roofing market.

Based on Gerard's estimates, the two firms have a combined market share of approximately 12% which has fallen year-on-year for nearly a decade.

Steel tile pressers face that reality because the roofing market:

- is dominated by profiled long-run steel sold by national New Zealand roll-formers like Dimond

Roofing (a Fletcher's subsidiary), Metalcraft, Roofing Industries and Steel & Tube; and

- contains substantial other "tile style" roofing competitors in Monier, Metalcraft, global asphalt shingle importers (such as GAF, PABCO, Owens Corning and CertainTeed) and smaller players like Apex and Natural Roofing.

Long-run steel roofing imposes a particularly strong market constraint

Indeed, long-run steel, like *Colorsteel*, *ColorCote* and *KiwiColour* – which account for approximately 70% of roofing sales in New Zealand – impose a particularly strong constraint on steel tile pressers like Gerard and Ross Roofs.

Long-run steel is functionally and compositionally identical to steel tiles. Both products are made from one sheet of painted NZ Steel Zinalume (or an imported equivalent). So the only material difference between the two products is that long-run steel is "roll-formed" into sheets of profiled steel panels (like corrugate) whereas steel tiles are cut and pressed into smaller individual tiles.

This functional similarity and the degree of constraint imposed can be seen in the clear observed trends of customers switching from steel tiles to long-run steel (and other roofing products). For instance:

- Gerard estimates that all steel tiles have lost market share year-on-year between 2010 and 2019.
- That market share was predominantly lost to long-run steel roofing, which has seen its market position grow to 70.5% in 2019.
- The demand for long-run roofs is being pushed along by subdivision covenants that prohibit tiled roofing products and design shows/awards promoting long-run profiled roofs.

Consumer interests protected by sophisticated GHBs, retirement home builders and volume builders.

As an additional constraint on Gerard, the vast majority of Gerard's sales ([]) are made to significant and sophisticated GHBs, retirement home builders and volume builders that use their bargaining power to acquire building materials at the lowest possible cost for their customers.

Those sophisticated customers are aware of the commercial pressures that steel tile pressers are under and use that information to negotiate the lowest priced steel tiles, including by threatening to switch their significant volumes to long-run roofing products and other low cost products, like concrete tiles and asphalt shingles. This transaction will not change that reality.

Very low entry and expansion barriers to pressing steel tiles should design trends move from long-run profiled steel

Gerard and Ross Roofs are not the country's two main steel tile pressers because of high manufacturing barriers. But rather because customer demand for steel tiles has not been enough to support other equally-sized players. Indeed, it is the reduction in demand for steel tiles domestically and internationally which has led to this transaction.

And while there are no signs that those domestic demand trends are likely to change in the near future, if they do then the barriers to producing and/or importing steel tiles are not high.

In particular, roll-formers like Dimond, Roofing Industries and Steel & Tube would quickly, easily and cost effectively set up machinery to press Zinalume into steel tiles rather than roll-forming that same metal into long-run roofing should consumer tastes change. Indeed, that is exactly what Metalcraft does today by cutting and pressing *Colorsteel* (in addition to roll-forming the same metal).

Gerard requests the Commission grants clearance

Gerard is confident that, collectively, those competitive factors leave no doubt that the proposed transaction will not substantially lessen competition in any market.

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NOTICE SEEKING CLEARANCE

The Registrar
Mergers and Acquisitions
Commerce Commission
PO Box 2351
WELLINGTON

The Applicant seeks clearance for a business acquisition under section 66 of the
Commerce Act 1986.

CONTACT DETAILS

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[IKO AND ROSS ROOFS CONFIDENTIAL INFORMATION]

[IKO CONFIDENTIAL INFORMATION]

[ROSS ROOFS CONFIDENTIAL INFORMATION]

TRANSACTION DETAILS

- 1 IKO Industries Ltd (**IKO**) seeks clearance to acquire all of the shares of Ross Roof Group Limited (**Ross Roofs**) for NZ \$[]m (the **proposed transaction**). IKO will separately acquire the Ross Roof factory and land leased by Ross Roofs at 1-3 and 7 Inlet Road, Takanini, Auckland for NZ \$[]m.
- 2 The documents bringing about the proposed transaction and the documents requested in the Commission's notice form are at **Schedule A**.

IKO

- 3 IKO is a family-owned global roofing company based in Calgary, Canada.
- 4 IKO specialises in manufacturing asphalt roofing shingles. IKO has 25 asphalt shingle manufacturing plants in Canada, USA, England, Belgium, the Netherlands, France and Slovakia. IKO exports its asphalt shingles to 90+ countries.
- 5 IKO's New Zealand presence is primarily through its 100% ownership of Roof Tile Group Limited (trading as **Gerard**),¹ a local steel roofing tile presser.² IKO also sells:
 - 5.1 imported asphalt shingles through local independent distributor, *Techno Roofing*;³ and
 - 5.2 imported membrane roofing and insulated panels through local independent distributor, *Nuralite*.⁴

Gerard

- 6 Gerard began in 1957 when the company's founder, Lou Fisher, invented the world's first stone chip coated steel roof tiles from the company's Felton Matthew Avenue factory in Glenn Innes, Auckland. With that Auckland plant still home to Gerard today (on leased Fletcher Building land).
- 7 Gerard's steel tile product has become a popular "premium" roofing product overseas, most notably in Japan, Nigeria, Tanzania, Kenya, and Ethiopia. That international demand saw Gerard open steel tile pressing plants in Malaysia, Hungary and the United States to compete with Korean and Chinese rivals.

¹ Roof Tile Group Limited is owned 100% by Freemantle Investments Ltd, a Calgary-based IKO subsidiary.

² IKO acquired Roof Tile Group from Fletcher Building on 1 November 2018.

³ <http://technoroofing.co.nz/>.

⁴ Nuralite also partners with other manufacturers of membrane roofing and waterproofing products, like GAF, Eternoivica and Alchemis. <https://www.nuralite.co.nz/>.

(However, Gerard has recently closed its Malaysia and Hungary plants and has shifted production from those plants back to its Glenn Innes site).

- 8 In any given year, Gerard exports approximately []% of the tiles it presses in Auckland.⁵ With the company selling the remaining ~[]% of those tiles to the residential New Zealand roofing market.
- 9 Gerard has a domestic distribution arm based in Auckland with a team of local installers.

Ross Roofs

- 10 Ross Roofs is a New Zealand family owned and operated business that presses steel roofing tiles from its Inlet Road factory in Takanini, Auckland, a business that it has operated since 1989. Ross Roof's domestic tiles are branded *Metrotiles*.
- 11 In 2012, the Ross family launched their global Tilcor business to target steel tile opportunities in Europe, the Middle East and Africa. Tilcor sources its steel tiles from the Ross Roofs plant in Takanini.
- 12 Around []% of RRG's tiles are exported (under the brand name *Tilcor*).⁶ With the other ~[]% sold in New Zealand under the *Metrotile* brand.
- 13 Unlike Gerard, Ross Roofs does not have an established in-house distribution/installation arm.

⁵ The exact export figure fluctuates year-on-year depending on international demand for Gerard's steel tiles.

⁶ <http://www.stuff.co.nz/business/10658395/Tiling-business-heading-back-to-US>

ROOFING INDUSTRY BACKGROUND

- 14 The proposed transaction relates to residential roofs, including single storey commercial buildings that are largely indistinguishable from typical New Zealand homes – like suburban dentists and retirement homes. So, in this sense, “residential” refers to the residential look of the building, rather than necessarily the economic purpose of the building. (Although, the vast majority of residential roofs are on homes).
- 15 Residential roof systems take a wide variety of shapes, sizes and designs, all the while having the same underlying functional purpose of weatherproofing homes. In the remainder of this section we explain the various choices awaiting homeowners and builders alike.

Roof materials

- 16 As BRANZ notes in its May 2017 fact sheet, *Roof materials*, there are wide range of roofing materials and finishes available to consumers.⁷ With that fact sheet naming some 30+ different materials (not including that fact sheet’s “bizarre roofing” section).
- 17 Despite that figure, the vast majority of New Zealand residential roofs are made from one of these common materials:⁸
- 17.1 steel:
 - (a) rollformed into profiled long-run steel; or
 - (b) cut and pressed into steel tiles;
 - 17.2 asphalt shingles;
 - 17.3 concrete tiles;
 - 17.4 clay (terracotta) tiles;
 - 17.5 membrane systems; and
 - 17.6 other premium products like copper, cedar tiles, slate and solar tiles.

⁷ <https://d39d3mj7qio96p.cloudfront.net/media/documents/BRANZ-Facts-Roof-Design-3-Roof-Materials.pdf>

⁸ <https://archipro.co.nz/articles/misc/weve-got-you-covered-which-roofing-material-is-best-for-your-needs-archi>

Steel

- 18 The vast majority (Gerard estimates about 95%) of New Zealand steel roofs are made from base steel manufactured by New Zealand Steel, the country's only steel manufacturer. The remaining steel is imported, typically from Korea.
- 19 Today, that "base steel" is 45% zinc and 55% aluminium alloy coated steel, which commonly goes by NZS's brand name "Zincalume®". Given NZS's prevalence in New Zealand, this application uses the Zincalume brand name generically (rather than saying 45% zinc and 55% aluminium alloy coated steel each time).
- 20 Steel roofs are either made with unpainted Zincalume (for a traditional "galvanised steel" silver finish) or, far more commonly, Zincalume that is pre-coated with paint and primers to best protect against corrosion.
- 21 There are at least four steel roofing paint lines in New Zealand.
- 21.1 **New Zealand Steel** coats coils of Zincalume to produce its *Colorsteel*® product. *Colorsteel* has at least 20 colours in its "standard" range and a more expensive "architectural" colour series.⁹ Moreover, *Colorsteel* comes with two main primers to protect against varying levels of atmospheric corrosion:¹⁰
- (a) *Colorsteel*® *Edura*® – "the roofing and cladding choice for New Zealanders across the country ... designed for both moderate inland conditions and severe coastal environments"; and
 - (b) *Colorsteel*® *MAXX*® – "the ideal solution for rugged coastlines ... designed specifically for New Zealand's more extreme conditions, *COLORSTEEL*® *MAXX*® will stand up to higher atmospheric salt concentrations".
- 21.2 **Fletchers** coats coils of Zincalume to produce its *Colorcote*® product. *Colorcote* comes in over 40 colours¹¹ and with three different primers:¹²
- (a) *AlumiGard*™ – "*AlumiGard* (previously AR8/ARX) is our premium metal roofing product, designed to withstand the harshest conditions ... suitable for use in 'very severe' marine environments, right up to the waterline, or for acidic exposure in harsh industrial or geothermal areas";

⁹ <https://www.colorsteel.co.nz/colours/>

¹⁰ <https://www.colorsteel.co.nz/products/>

¹¹ <https://www.colorcote.co.nz/colour-design/colour-palette/>

¹² <https://www.colorcote.co.nz/products/>

- (b) MagnaFlow™ – “the magic of magnesium in MagnaFlow (previously ZM8/ZMX) uniquely adds extra anti-corrosive protection ... designed for ‘severe marine’, up to 100m from the coastline, the superior corrosion resistance of MagnaFlow, makes it an ideal choice for demanding coastal environments”; and
- (c) ZinaCore™ – “(previously ZR8/ZRX) is the best value pre-painted aluminium and zinc coated steel roof for most sites suitable for moderate climatic conditions, ZinaCore has a hot-dipped aluminium/zinc alloy coating over a steel substrate”.

21.3 **Gerard and Ross Roofs** cut, press and then paint coils of Zinalume to make steel tiles, which we explain in more detail below. Gerard and Ross Roofs each offer around 30 colours.¹³

22 **Kiwi Steel** imports pre-painted Zinalume steel as KiwiColour. KiwiColour comes in 16 colours and three different primers (Vitor+, Vitor+ ZX and LUX).¹⁴

23 *Colorsteel, Colorcote* and *KiwiColour* pre-painted steel is either roll-formed into long-run profiled steel roofing panels or cut and pressed into steel tiles.

24 Those fabrication processes are either done by a downstream subsidiary of the companies above, or an independent steel roofing company. With those companies, in essence, creating the design, style and appearance of steel roofs to meet current trends demanded by New Zealand customers and builders.

25 We discuss each process in turn.

Steel: profiled long-run

26 Profiled long-run steel is the most popular roof design in New Zealand. A recent BRANZ survey indicates that 70% of all New Zealand new home builds are roofed with profiled steel.¹⁵

27 Profiled steel, at its simplest, involves taking coiled steel and feeding it through machinery that strengthens the steel (by giving it “ribs”) and gives it an attractive appearance. “Corrugate” is probably the most well-known roll-formed profile, but certainly not the only one – as detailed below.

¹³ For completeness, Gerard and Ross Roofs’ paint lines are unable to paint long-run steel for roll-formers to turn into profiled long-run roofing. Instead, their paint lines are designed for steel tiles.

¹⁴ <https://www.kiwicolour.co.nz/>


¹⁵ <https://www.branz.co.nz/pubs/research-now/physical-characteristics/1-materials-houses/>

- 28 Such is the popularity of the “profiled” long-run steel look, that there are now dozens of “roll-formers” in New Zealand. The major roll formers – with national store networks – are Dimond Roofing (a Fletcher Building subsidiary), Metalcraft, Roofing Industries and Steel & Tube.
- 29 Roll-formers typically offer the full *Colorsteel*, *Colorcote* and/or *KiwiColour* pre-painted steel ranges. So once a colour and primer has been chosen by the customer, roll-formers then shape that steel into the particular profile that the customer wants.
- 30 There are three standard profile types: corrugate, trapezoidal (rib) and secret fix (trough, tray, standing seam, decking).

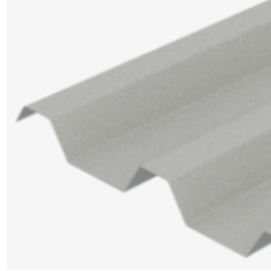

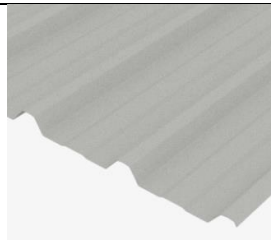


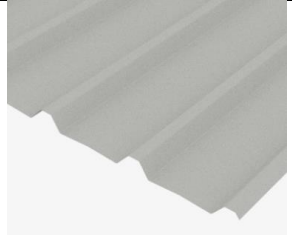

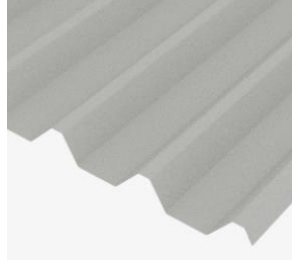
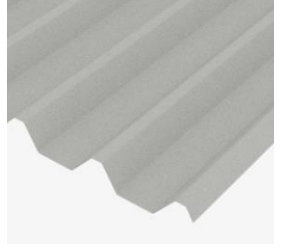

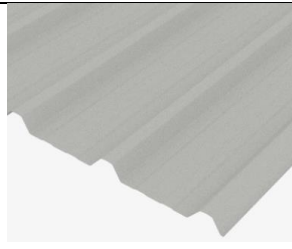
- 31 Different roll-formers offer different varieties of those three profiles depending on the machinery they own and/or any intellectual property rights they hold over certain profiles. We note, for instance, that:

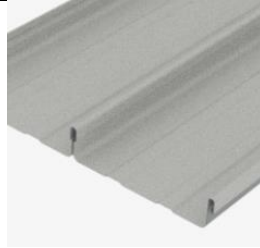
31.1 Dimond Roofing offers ~15 different residential profiles,¹⁶ including:

Dimond profile	Rib type	Dimond Manuf. location	Image
Corrugate	Low	Whangarei Auckland Hamilton Wellingt Chch Dunedin Invercarg.	

¹⁶ <https://www.dimond.co.nz/products/roofing>

Eurotray® Lite	Tray	Chch	
Eurotray® Angle Seam	Tray	Auckland Chch Invercarg.	
Eurotray® Roll Cap	Tray	Auckland Chch Invercarg.	
Brownbuilt 900	High	Auckland	
Solar-Rib®	High	Auckland Invercarg.	
Styleline	Low	Whangarei Auckland Hamilton Wellington Chch	
Six Rib	Low	Invercarg.	

Veedek®	Low	Auckland Hamilton Wellington Chch	
V-Rib	High	Chch	
LT7®	High	Wellington Invercarg.	
LT5	High	Wellington Invercarg.	
Topspan®	High	Chch	
Hi Five	Low	Invercarg. Dunedin	

Dimondek® 400	CC ¹⁷	Auckland Hamilton Wellington Chch	
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31.2 Metalcraft offers ~16 different profiles, including: corrugate; T-Rib; MC700; MC760; MC770; Metrib 750; Metrib760; MC1000; Metcom7; Metcom965; Metdek500; Metdek855; Metcom930; ESPAN® 340; ESPAN® 470; and Kāhu®;¹⁸

31.3 Roofing Industries offers ~13 different profiles, including: corrugate; wide corrugate; True Oak® corrugate; Trimrib®; Ribline® 800; Ribline® 900; RT7®; Multirib®; Multidek®; Eurostyle™ epic™; Eurostyle eurolok™; Eurostyle spanlok™; and True Oak deep;¹⁹ and

31.4 Steel & Tube offers ~14 different profiles, including: Custom Orb; Six Rib; Pumbdek; Trimform; Trimline; ST7; ST900; ST963; Paneldek; Kliplok; Hi Rib; Legacy; Euroline Battenlok; and Euroline Seamlok.²⁰

32 Different roofing profiles come at different costs that generally reflect the different roll-forming processes, specifications and performance qualities of the various profile designs. We note, for instance, the following factors will influence the overall cost of different long-run steel roof profiles:

32.1 some profiles require thicker (and, therefore, more expensive) steel than other profiles;

32.2 some profiles are more complex to roll-form;

32.3 some profiles require ply substrate underneath the long-run steel when installed, which adds to the overall roofing cost;

32.4 some profiles will be stronger (generally those with higher ribs which requires more steel per m², adding to the total roof cost);

¹⁷ Concealed clip.

¹⁸ <https://www.metalcraftgroup.co.nz/products/metal-roofing-and-cladding/>

¹⁹ <http://www.roof.co.nz/products>

²⁰ <https://steelandtube.co.nz/specifiers/roofing-cladding>

32.5 some profiles can only be roll-formed at certain factories so, depending on the location of the customer, there might be higher freight costs than other profiles;²¹ and

32.6 some profiles are more difficult to install which will increase the overall cost of the roof.

33 Further, different profiles have different minimum pitch limitations. So some profiles will only be suitable for certain house/roof designs. For example, corrugate is not appropriate for roofs with a pitch of less than 8°. See the NZS table below (and all these products can be used for pitches above the minimum number).²²

Profile	Rib Height	Minimum Pitch
Trapezoidal asymmetrical	20 – 25 mm	4°
Trapezoidal asymmetrical	25 – 35 mm	3°
Trapezoidal asymmetrical and symmetrical	36 – 60 mm	3°
Trapezoidal symmetrical	20 – 35 mm	4°
Secret-Fix	>30 mm	3°
Secret-Fix	<30 mm	8°
Standing seam fully supported flat sheet metal	>30 mm	3°
All other types of fully supported flat sheet metal		5°
Corrugated and other profiled sheeting	16.5 – 20 mm	8°
Corrugated and other profiled sheeting	21 – 35 mm	4°

34 If secured properly, all long-run steel roof profiles are suitable in all New Zealand wind conditions.

35 In summary, customers face a range of factors when considering what profiled long-run steel roof they want:

35.1 appearance considerations:

(a) pre-painted or un-painted Zinalume®;

²¹ We note, for instance, that Dimond’s Eurotray® Lite profile is manufactured in Christchurch (<https://www.dimond.co.nz/products/eurotray-lite>). Whereas, Dimond’s Eurotray® Angle Seam is manufactured in Auckland, Christchurch and Invercargill (<https://www.dimond.co.nz/products/eurotray-angle-seam>).

²² <https://www.nzsteel.co.nz/assets/Uploads/Files/NZS0064-COLORSTEEL-Installers-Guide-web.pdf>

- (b) different colours offered by *Colorsteel*, *Colorcote* or *KiwiColour*;
- (c) different profiles offered by dozens of different roll-formers; and

35.2 practical considerations:

- (a) normal primer or special primer for different climates;
- (b) house/roof design, pitch level and cost differences between different profile designs.

Steel: pressed tiles

36 Zincalume and pre-painted steel coils can also be cut and pressed into steel tiles.

37 There are at least three steel tile pressers in New Zealand:

37.1 Gerard;

37.2 Ross Roofs; and

37.3 Metalcraft.

38 Apex Tile and Monier also sell pressed steel tiles in New Zealand. Gerard does not know whether those companies press the tiles themselves in New Zealand, or import the tiles from overseas.

39 As discussed above, Gerard and Ross Roofs purchase or import unpainted Zincalume and paint, cut and press that steel to make tiles. Whereas, Metalcraft cuts and presses pre-painted Zincalume (*Colorsteel*) from NZS.

40 Gerard, Ross Roof and Metalcraft each have a production line to coat pressed steel tiles with a stone chip coat for a "texture" finish.²³ Or, alternatively, the companies also sell steel tiles as a satin finish (i.e., without stone coating). Apex Tile also sells both satin and stone-chipped steel tiles.²⁴

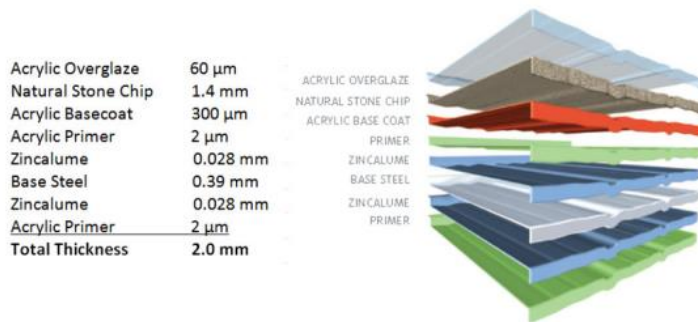
41 That process means that steel tiles are identical to pre-painted long-run steel roofs from a composition perspective. Steel tiles are simply cut and pressed Zincalume/Colorsteel, rather than that same steel being roll-formed into profiled

²³ Gerard understands Metalcraft has a stone chip coating line given it sells chip coated tiles (see, for instance: <https://www.metalcraftgroup.co.nz/products/metal-tiles/products/modena-metal-tile/>).

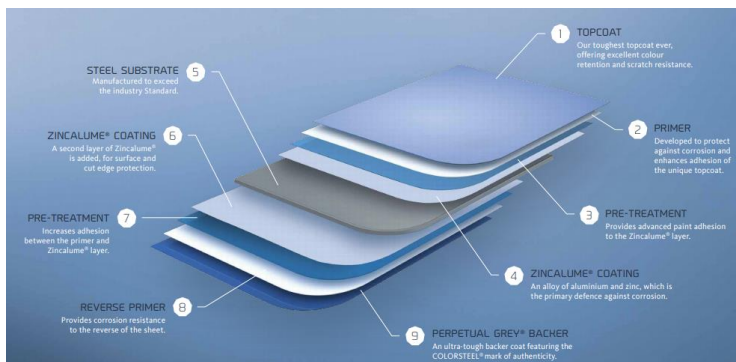
²⁴ <https://apextile.co.nz/>

long-run steel panels. That common make-up can be seen by comparing the cross section of a steel tile with an equivalent *Coloursteel* diagram:²⁵

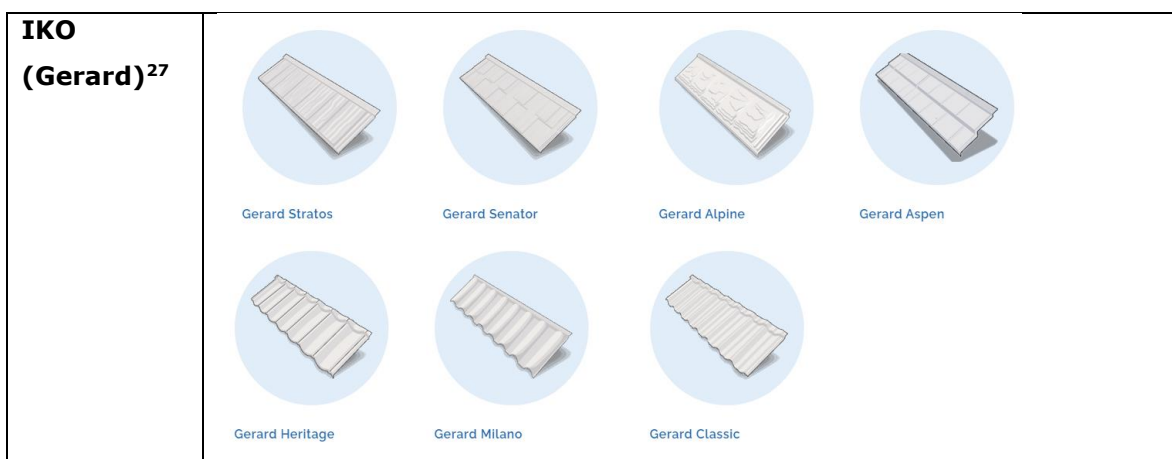
Steel tiles



Colorsteel²⁶






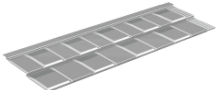


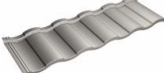



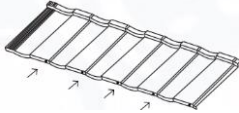

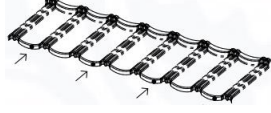
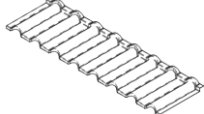
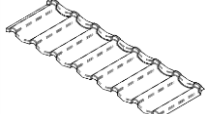
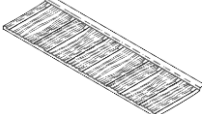

42 Pressed steel tiles take a variety of shapes and designs. Each “tile” is about 125-135cm long and around 40cm wide. The table below sets out the different profiles offered by New Zealand’s main steel tile pressers/importers.



²⁵ <https://designtech.gerardroofs.co.nz/DesignTech/pressed-steel-roofing-facts;>

²⁶ <https://www.metroclad.co.nz/pdfs/BSS0255-Science-of-Colorsteel-A4-brochure-FA-web.pdf>

²⁷ <https://designtech.gerardroofs.co.nz/DesignTech/ProductsOverview>

RRG²⁸					
	"Antica"	"Bond"	"CF Shake"	"CF Shingle"	
					
	"CF Slate"	"Classic"	"Roman"	"Royal"	
					
"Shake"	"Tudor"				
Metalcraft²⁹					
	"Modena"		"Shake"		"Chateau"
Apex tiles³⁰					
	"Firenze"	"Majestic"	"Shake"	"Shingle"	

43 A finished metal tile roof looks like this on a house:



44 Like different roll-form profiles, different metal tile profiles have different minimum pitch requirements:

²⁸ <https://www.metrotile.com/our-products/>

²⁹ <https://www.metalcraftgroup.co.nz/products/metal-tiles/>

³⁰ <https://apextile.co.nz/our-products/>

44.1 more rounded tiles (like Gerard's Milano, Ross Roofs' Antica, Metalcraft's Modena and Apex's Fierenze) have a minimum roof pitch of 12°; and

44.2 flatter tiles (like "Shake" profiles) have a minimum roof pitch of 15°.

45 But, other than that, the technical installation process is very similar to installing long-run steel. As the NZ Metal Roof and Wall Cladding Code of Practice says:³¹

The principles behind detailed requirements for fixings, flashings, corrosion, compatibility and maintenance as described elsewhere in this Code of Practice [in relation to profiled long-run steel] should also be applied to the design and installation of pressed metal tiles. Exceptions result from the specific differences between tiles and other forms of metal roof cladding and include the height of laps and specific dimensions of metal shingles and shakes prescribed in this section.

46 And, like profiled long-run steel, steel tiles have excellent wind ratings.

Shingles

47 Shingles are the most popular roofing product in North America, apparently weatherproofing more than 70% of all residential sloped roofed homes there (including both new construction and replacements).³²

48 Shingles are made from fibreglass-reinforced asphalt with non-combustible fibres and a stone chip finish. Shingles are resistant to corrosion and rot, can weather harsh New Zealand conditions and are generally low maintenance. And, like steel roofs, shingles are light.

49 A finished shingle roof has the following appearance:³³

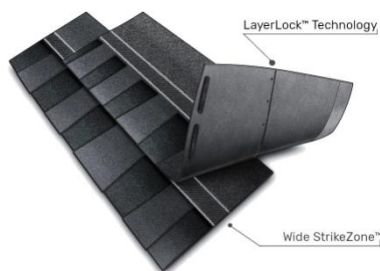
³¹ NZ Metal Roof and Wall Cladding Code of Practice, at 15.3.1.1.

³² <https://www.roofingcalc.com/asphalt-roofing-shingles/>

³³ <https://www.vikingroofspec.co.nz/our-products/shingle-and-tile-roofing/certainiteed-asphalt-shingles/>



50 And a single shingle “tile” looks like this:³⁴



51 Such is the popularity of the asphalt shingle “look”, that pressed metal tiles are often available in a “shingle” design to mimic the appearance of actual shingle roofs (see table at [42] above). And, similarly, clay and concrete tiles come in a “shingle” style too (see table at [75] below).

52 Indeed, shingles are one of the fastest growing roofing choices in New Zealand.^{35 36}
They are:

52.1 cheap (the same price, if not cheaper, than a steel roof);

52.2 easy to install;

52.3 light, durable and anti-corrosive;

52.4 available in a range of colours (see below);

³⁴ <https://gafroofing.co.nz/timberline-hdz/>

³⁵ <https://www.refreshrenovations.co.nz/advice/roofing-material-options/>

³⁶ <https://builderscrack.co.nz/blog/project-advice/advice-roofing/choosing-best-roofing-material-home.html>

- 52.5 rated for extra high wind zones;³⁷
- 52.6 suitable for potable rainwater roofing systems;
- 52.7 offer 30-50 year lifetime warranties;³⁸ and
- 52.8 can be installed on roofs with a minimum pitch of 9°.³⁹

53 Gerard Roofs notes, anecdotally, that the growing Silverdale subdivision is mostly being built with shingle roofs and, similarly, Auckland’s new Flatbush has a lot of shingle too (in addition to concrete and long-run). Gerard **attaches** at Schedule C photos of those subdivisions and others around New Zealand that use different roofing products.

54 All New Zealand shingles are imported from global manufacturers, like GAF, Owens Corning, CertainTeed, PABCO and IKO and resold by subsidiaries of those manufacturers or independent distributors.

55 Indeed, the growing popularity of shingles in New Zealand saw IKO enter the market in early 2020 through local distributor Techno Roofs. [].⁴⁰ And, following that launch, in 2020 IKO earned US\$[]⁴¹ in revenue by selling [] shingle “bundles”⁴² through Techno Roofing:

Product	2021 YTD April (shipped)	2021 to ship in May	2021 to ship early June	2020
Cambridge				
Leading Edge Plus				
Hip & Ridge Plus				
Stormtite				
Total # bdl's				
# imported containers				
Value USD				

³⁷ <https://codehub.building.govt.nz/resources/appraisal-number-529-2017/>

³⁸ See, for instance, GAF New Zealand’s “Timberline” product.

³⁹ <https://codehub.building.govt.nz/resources/appraisal-number-529-2017/>

⁴⁰ [].

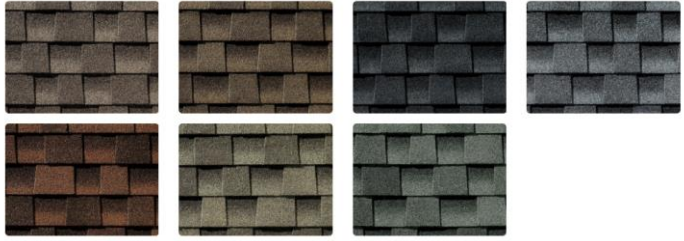

⁴¹ IKO does not know other asphalt shingle suppliers’ New Zealand volumes or revenues. But, based on the BRANZ market share data set out below, IKO estimates its shingles would be [] of the New Zealand residential roofing market. And [] of all shingles sold in New Zealand.

⁴² Approximately three shingle bundles (or “bdls”) are needed per square metre of roof.

- 56 The major New Zealand companies offering shingles are:
 - 56.1 GAF Roofing New Zealand (distributor of, not surprisingly, GAF shingles);⁴³
 - 56.2 JP Franklin Roofing Services (distributor of GAF shingles);⁴⁴
 - 56.3 Asphalt Shingle Roofing Supplies Ltd (distributor of PABCO shingles);⁴⁵
 - 56.4 Southern Superior Roofing (distributor of PABCO shingles);⁴⁶
 - 56.5 Shingle & Shake (distributor of Owens Corning shingles);⁴⁷
 - 56.6 Techno Roofing (distributor of IKO shingles);⁴⁸ and
 - 56.7 Viking Roofspec and Metalcraft Roofing (distributor of CertainTeed shingles).⁴⁹

50

57 Those companies offer a variety shingle types and colours of shingles. For instance:

Manuf.	Product name	Varieties
GAF	<i>Timberline</i> ⁵¹	
	<i>Slateline</i> ⁵²	

43 <https://gafroofing.co.nz/>

44 <https://jpfranklinroofing.co.nz/roofing-services/asphalt-shingle-roof-replacement-auckland/#guide>

45 <https://www.asphaltshingle.co.nz/>

46 <http://superiorroofing.co.nz/contact>

47 <https://www.shingleandshake.co.nz/>

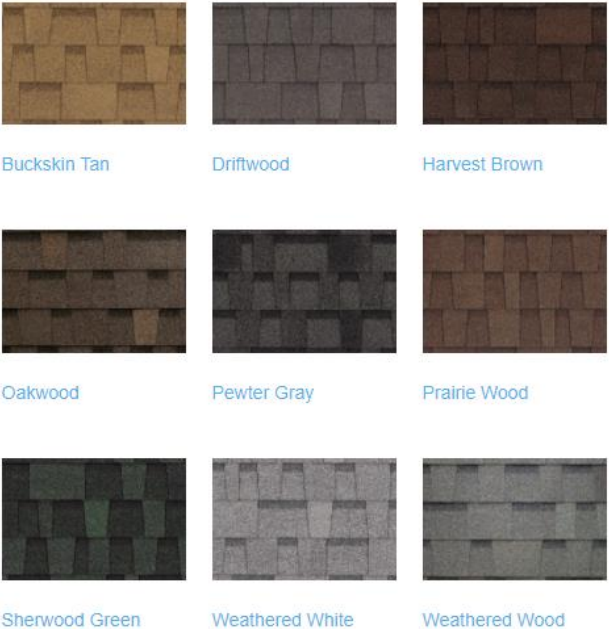

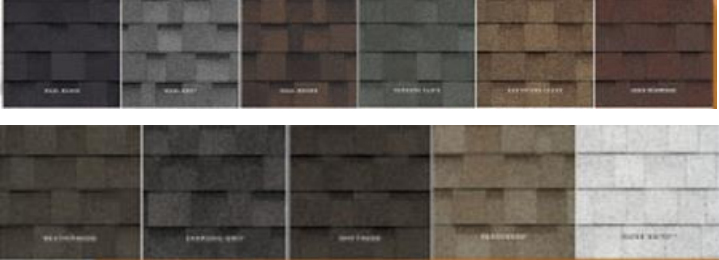
48 <http://technoroofing.co.nz/>

49 <https://www.vikingroofspec.co.nz/our-products/shingle-and-tile-roofing/certainteed-asphalt-shingles/>

50 <https://www.metalcraftgroup.co.nz/media/30221/asphalt01102013.pdf>

51 <https://gafroofing.co.nz/timberline/>

52 <https://gafroofing.co.nz/slatelineshingles/>

PABCO	PABCO Premier® ⁵³	
Owens Corning	Oakridge® ⁵⁴	
IKO	Cambridge ⁵⁵	

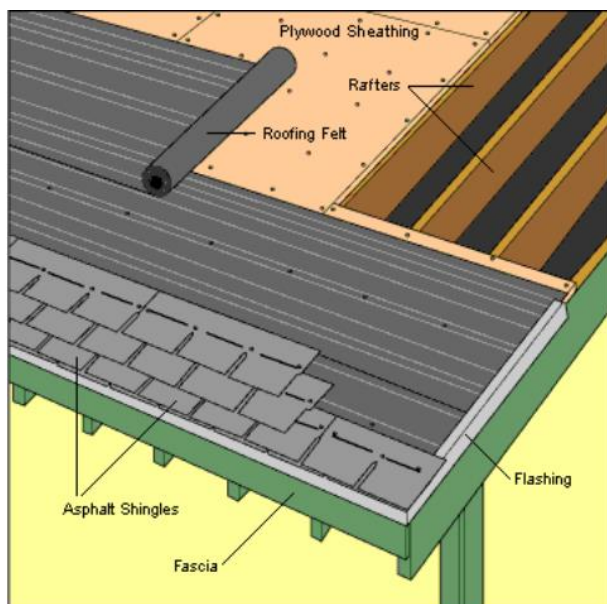
58 Shingles are secured on top of roofing felt and plywood sheathing that sits on top of the rafters (see following image). Despite needing that felt and plywood layer, Gerard understands that the total cost of an installed shingle roof is still around the same as long-run steel roof.⁵⁶

⁵³ <https://www.asphaltshingle.co.nz/our-range/>

⁵⁴ <https://www.shingleandshake.co.nz/shingles/oakridge-30-fibreglass-shingles/>

⁵⁵ <http://technoroofing.co.nz/>.

⁵⁶ See, for instance, the independent pricing estimates set out at [120]-[121].



- 59 Moreover, popular New Zealand shingles, like GAF's *Timberline*, *Timberline Lifetime*, *Camelot*, *Camelot 2*, *Slateline* and *Grand Sequoia* have registered BRANZ appraisals to meet the acceptable solution criteria in the New Zealand Building Code.⁵⁷
- 60 Similarly, PABCO shingles are also BRANZ appraised to the same standard. Including PABCO's *Paramount Advantage*®, *Paramount*®, *Cascade*™, *Premier Advantage*®, *Premier Radiance*® *Elite*, *PABCO Premier*® *Elite*, *PABCO Premier*® *Professional*, *Premier Radiance*®, *PABCO Premier*® and *Tahoma*™ products.⁵⁸ IKO's shingles are BRANZ appraised too.

Concrete tiles

- 61 Monier is the New Zealand's only importer of concrete tiles (from Australia), which it advertises as:⁵⁹

"the most economical and durable roofing material on the market ... just like concrete bridges and the structural elements of buildings, concrete tiles truly embrace the harsh elements".


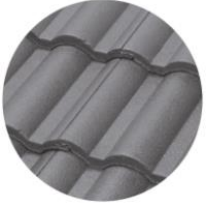



- 62 Monier sells its tiles through resellers across the country, including in Albany, Auckland, Blenheim, Christchurch, Dunedin, Gisborne, Hamilton, Hastings, Hawkes Bay, Invercargill, Manukau City, Nelson, Palmerston North, Queenstown, Tauranga, Warkworth, Wellington and Whangarei.

⁵⁷ https://d39d3mj7qio96p.cloudfront.net/media/documents/529_2017a3.pdf

⁵⁸ <https://www.branz.co.nz/appraisal-codemark-certificates/1028-2018-pabco-fiberglass-asphalt-shingles/>

⁵⁹ <https://www.monier.co.nz/products/concrete-tiles>

63 Monier's concrete tiles are cast in three profiles in a range of ~10-12 colours:

<p><i>Horizon</i></p>		
<p><i>Hacienda</i></p>		
<p><i>Madison</i> 60</p>		

64 Concrete tiles have the following finished appearance:



65 The popularity of concrete tiles stems from their durability, reliability, long life expectancy (upwards of 90 years) and strong performance in New Zealand weather climates (given concrete does not rust or corrode).

66 The weight of concrete tiles (around 5kg a tile) means that roofs must have strengthened roof trusses to brace that mass.

67 Moreover, Monier's concrete tiles:

67.1 can be applied to roofs with a minimum pitch of 15°;

⁶⁰ At the date of this application, Monier had limited stock available of the *Madison* tile.

67.2 come with 50-year performance guarantee;⁶¹

67.3 are resistant to high winds; and

67.4 come in an array of designs and colours (see table above).

68 So, the main objective difference between concrete tiles and other roofing products is that concrete tiles are more durable and, as a consequence, heavier.

69 That weight difference is irrelevant for many customers, given the benefits of concrete roofs we describe above. But, Gerard acknowledges that for some customers in particularly earthquake prone areas like Wellington and Christchurch, concrete might not be an appealing option. The relevance of that point is discussed later in this application.

70 But, with that said, from a subjective appearance/price/quality trade-off perspective, concrete tiles remain the preferred and popular roof option for many builders and homeowners. Gerard understands that:

70.1 many new builds in Auckland's Flat Bush subdivision are concrete tiled roofs; and

70.2 large Bay of Plenty home builder, Classic Builders, often uses concrete tiles.

71 Photos of a selection of subdivisions have been provided in **Schedule C**.

Clay (Terracotta) tiles

72 Similarly Monier is the country's main importer of clay tiles, commonly referred to as terracotta tiles. With Natural Roofing Limited being the other local clay tile importer and distributor.⁶²

73 Terracotta tiles have, for all intents and purposes, the same functional characteristics and durability advantages of concrete tiles – with one exception: terracotta tiles are typically ~20-30% more expensive than concrete tiles given they are imported from Europe in lower volumes than higher-volume Australian concrete tiles. Terracotta tiles' colours are baked into the clay which means that colour can last hundreds of years.

74 Terracotta tiles are the only roofing product with an authentic Mediterranean appearance, the durability of concrete and colours that don't tend to fade over time.

⁶¹ https://www.monier.co.nz/-/media/monier/documents/nz-brochures/collectionsbrochure_nz.pdf

⁶² <https://naturalroofingproducts.co.nz/products/>

So, for all or any of those reasons, from an appearance/price/quality trade-off perspective, some customers prefer terracotta tiles over all other roofing products.

75 Monier’s terracotta tiles come in the following profiles and colours:

<i>Marseille</i>				
<i>Nouveau</i>				
<i>Urban shingle</i>				
<i>Portugese</i>				

Membrane roofs

76 Membrane roofs are the only roofing option for customers that want a flat roof on their house.

77 Broadly speaking, membrane roofing is made from continuous watertight covering that protects the home. Those coverings are typically made from:

77.1 Butyl rubber;

77.2 EPDM (Ethylene propylene diene terpolymer);

77.3 PVC (Polyvinyl chloride); or

77.4 TPO (Termoplastic polyolefin).

78 From a functional perspective, a properly installed membrane roof will perform the same as other roofing systems. But, as set out above, the key difference is that customers must typically want a flat roof house to choose membrane.⁶³

Other premium roofing products

79 Lastly, this application notes four further premium roofing materials:

79.1 copper tiles;

79.2 timber/cedar tiles ("shakes");

79.3 slate tiles; and

79.4 solar tiles.

80 These materials are premium products that come at a higher price than steel, asphalt shingle, concrete tiles, terracotta tiles and membrane.

81 These products come at premium because they are made from rarer natural materials, are more difficult to install and/or have other economic benefits.

How sales are made

82 Roofing sales are typically made in the following way:

82.1 homeowners contract a local builder to build their new house (or re-roof their existing house) and as part of that contract the builder sources the roofing system of the homeowners' choice;⁶⁴

82.2 in sourcing that roofing system, a builder will usually contract with a local "distributor" (often referred to as an installer) that buys roofing products (e.g., *Colorsteel*, *Colorcote*, steel tiles, asphalt shingles, concrete tiles, and screws/fixings) from roofing companies (Dimond, Metalcraft, Roofing Industries, Gerard etc.) and provides a team of roofers to install the roof; and

82.3 the distributor invoices the total cost of installing that roofing system to the builder which will generally be passed on to the homeowner (at, potentially, a margin).

⁶³ As the Commission duly noted in *CSR Building Products (NZ)*, at [28]: "*membrane and Butynol are not commonly used on pitched residential roofs, as aesthetically, they are incongruous with the look of a residential home*".

⁶⁴ With that homeowner choice possibly influenced to some degree by their builder's preference or recommendation of certain roofing products. Gerard notes, for instance, that some builders might recommend roofing products that they are familiar with and/or they know that they can get a good installer for. And given the dominance of long-run roofs in New Zealand, builders are apparently increasingly recommending long-run roofs to homeowners.

- 83 That distributor can be an independent company or a subsidiary of the relevant roofing company.
- 84 Approximately [%] of Gerard’s domestic sales last year (~[] tiles) were sold to distributors who have been contracted directly by a builder, as per the scenario above. (With around [] of those tiles sold to independent distributors and the remaining [] to Gerard’s in-house distribution/installation company (Gerard Roofing Division)). (The equivalent figure for RRG is approximately [%] of Ross Roofs’ domestic sales last year (~[] tiles) were sold to distributors who have been contracted directly by a builder, as per the scenario at [82]).
- 85 The remaining [%] of Gerard’s domestic sales (~[] tiles) were made to builders buying a complete installed tile roof directly from Gerard Roofs on a negotiated basis, with Gerard then sub-contracting that project to a distributor/installation team. Gerard sub-contracted independent distributors/installers [%] of the time in those circumstances, with the remaining [%] installed by Gerard Roofing Division.
- 86 Typically speaking, it is national Group Home Builders (GHBs), like GJ Gardner, Golden Homes and Stonewood and retirement home builders that have the scale to buy complete tile roof packages directly from Gerard. Those builders frequently threaten to switch to alternative roof products (most commonly long-run steel roofs) to negotiate the lowest prices from Gerard.⁶⁵ With Gerard then allocating the installation of those GHBs’ projects to regional distributors if the company is successful in winning those GHB’s work.
- 87 As we discuss further below, GHBs and retirement home builders often sell those roof products as part of “house & land packages” or pre-spec’d building designs that reflect what products GHBs have negotiated the best deals over. So, for instance, where GHBs have negotiated cheap long-run profiled steel, they will naturally push pre-spec’d home buyers towards houses with long-run roofs.
- 88 For RRG, approximately [%] of Ross Roofs’ domestic sales (approximately [] tiles) were made to GHBs. [].

89 Only approximately [].

Distributors do not signal end-consumer preferences

90 To be clear, Gerard records that distributors do not have any greater insight than manufacturers into an end-customer’s roofing preference. A distributor – like a

⁶⁵ [].

manufacturer – does not know, for instance, whether any individual consumer prefers long-run, asphalt shingles, steel tiles or concrete tiles.

- 91 Just because a distributor (like a manufacturer) might be approached by a builder/end-customer to quote a roofing job, that distributor has no idea if the builder sourced quotes from other roofers selling other roofing products or if the customer is considering other roofing options. Indeed, builders typically present a range of roofing options for customers to choose from.
- 92 Further, the fact that some roofers might specialise in just one product – and others many products – does not give some roofers less or more insight into that consumer decision-making process. Rather the same points above hold true. A “specialist” *Colorsteel* long-run roofer must, for instance, be equally alive to the market forces at play than, say, a roofer that offers the full suite of roofing options.
- 93 The reality is that roofers, like their alternative name suggests, are distributors for the many roofing manufacturers and importers in the market.

Re-roofing does not make consumer preferences transparent

- 94 In a similar vein, a re-roofing job does not give manufacturers (or distributors) transparency into consumers’ preferences for a new roofing system.
- 95 An old long-run steel roof can be replaced with another long-run steel roof, a steel tile roof or a shingle roof. All of those options can be installed on the house’s existing roof trusses and all are price competitive.
- 96 Indeed, just because a consumer might have chosen a steel tile roof 30 years ago does not mean they will choose steel tiles again today. That is particularly so given the roofing trends observed in the next section.
- 97 Moreover, an old concrete tile roof too can be replaced by any of the light-weight options above, or heavy options like terracotta. (Although, the opposite is not typically true given a house supporting a steel roof is unlikely to have the trusses ready to brace a new concrete roof).
- 98 We note, based on MBIE guidance, that it’s unlikely the examples above would need to apply for a new building consent to re-roof their houses given long-run, metal tiles and shingles are all comparable weather-tight lightweight roofing materials.
- 99 The Building Act 2004 permits general repair, maintenance and replacement of building components/systems without a new building consent where “comparable” components are used. And, MBIE’s guidance on that point, *Building work that does*

not require a building consent,⁶⁶ gives the following examples where that exception could apply to a re-roofing job:

- 99.1 “Replacing a 20-year old profile metal roof cladding (eg corrugated iron or pressed metal tiles), where that cladding has achieved its Building Code durability requirement (ie it lasted more than 15 years) and the replacement cladding is a comparable component or assembly (eg profiled metal roofing)”.
- 99.2 “Replacing an old clay tile roof with a profiled metal roof (eg longrun roofing or pressed metal tiles) in the same position. Since the scope of work involves replacing a heavy weight roof with light weight, such issues as how to deal with higher uplift forces must be considered. The owner may elect to use NZS 3604:2011 to show compliance with the Building Code. As the scope of work is not considered to be complete or substantial replacement of a component or assembly that contributes to the building’s structural behaviour, the building work falls within the scope of this exemption”.

- 100 That guidance matches Gerard’s experience with re-roofs (albeit re-roofs are a very small part of the market)⁶⁷.
- 101 We record too that MBIE’s examples in its official guidance document demonstrates the demand-side substitutability between different roofing options of different shapes, sizes and materials.

Roofing trend: growing demand for long-run roofs

- 102 While all roofing products are functionally the same, there is a strong and growing trend in New Zealand for profiled long-run steel roofs.
- 103 As set out above, BRANZ estimates that ~70% of all New Zealand homes are profiled long-run steel. And that trend is increasing with shows like *Grand Designs* actively promoting profiled *Colorsteel* products, and design/council guidelines in some new subdivisions prohibiting any form of tile roofing products.
- 104 We note for instance that in Central Otago, one of New Zealand’s fastest growing areas, that design guidelines in new subdivisions prohibit tiled roofs. For instance:

⁶⁶ <https://www.building.govt.nz/assets/Uploads/projects-and-consents/building-work-consent-not-required-guidance-3rd-edition.pdf>.

⁶⁷ [].

- 104.1 Hanley's Farm – a site of hundreds of new first home-level houses and a new (to-be-built) primary school – has guidelines that say “tiled roofs will generally not be accepted”;⁶⁸
- 104.2 Jack's Point – Hanley's Farm's neighbouring subdivision – only permits “roof forms [that do] not conflict with the underlying lines of the mountainous backdrop that are visible from a site ...” where, in practical terms, that covenant has been interpreted by builders as only allowing long-run steel roofs (and not tiles);
- 104.3 Wanaka's The Heights, Clearview and North Lake subdivisions which expressly say in each subdivision's building covenants that “tile roofs are not permitted”;
- 104.4 Queenstown's Millbrook area which limits roof claddings to “one finish selected form – Corrugated colour steel in either 'Grey Friars' or 'Sandstone Grey' or alternatively in a traditional natural grey slate (sample to be approved by [Milbrook]”;
- 104.5 Queenstown's Quail Rise which only allows steel tiles that are 0.5mm thick – a covenant that, in effect, rules out all New Zealand steel tiles which typically have a 0.39mm gauge;⁶⁹ and
- 104.6 Gerard understands that Cromwell's recently announced Wooing Tree subdivision – which offers affordable sections between \$295,000 to \$595,000 – will (expressly or implicitly) prohibit steel tile roof too.⁷⁰

(copies of a selection of those covenants are set out in **Schedule D**).

- 105 Indeed, at the end of 2020, Gerard had only a []% market share in the Otago (Southern Lakes-Clutha) region. Down from around []% in Q2 2016.⁷¹
- 106 Similarly, the design guidelines for new Raglan subdivision, Rangitahi, “discourages” the use of tiled roof which, in its view, “may lower the quality of the peninsula”. With those guidelines, instead, recommending the use of products that “we believe reflect the right look and feel for Raglan”.⁷²

⁶⁸ <http://www.hanleysfarm.nz/assets/hanley-s-farm-design-guidelines.pdf>

⁶⁹ While Gerard can manufacture 0.55mm tiles it does not generally do so because there is limited demand for that thickness and there is no functional benefits of having thicker steel tiles. (The longevity of steel tiles comes from the primer/paint coating, just like long-run steel roofs).

⁷⁰ <https://woointree.co.nz/stage-one-of-cromwells-new-woointree-estate-development-released/>

⁷¹ Copies of Gerard's internal market share estimates by region are attached at **Schedule A**.

⁷² See **Schedule D** for the relevant excerpt from the Rangitahi Project Design Guidelines.

107 And as the next figure shows, that trend can be seen across the country, as demand for Gerard’s steel tiles has fallen from ~[]% market share of all roofing products in Q2 2016 to ~[]% in Q4 2020.⁷³ []. That reality reflects the simple fact that homeowners are preferring profiled long-run steel roofs over the same steel that is cut and pressed into a tile.

[]

108 Consistently, Gerard’s domestic roof sales (by volume) fell []% between 2016-2019.⁷⁴ And, tellingly, a disproportionate amount of those lost sales were from “local builders” who, generally speaking, represent customers that freely pick the roofing product of their choice (rather than customers of GHB, volume builder and retirement home builders). Specifically, Gerard’s “local builder” volumes fell []% between 2016-2019,⁷⁵ from [] to [] per year.

109 Those falling volumes have resulted in Gerard’s factory capacity utilisation fall steadily too (in addition to recent Covid-19 turmoil in export markets):⁷⁶

	Utilisation
2016	[]%
2017	[]%
2018	[]%
2019	[]%
2020	[]%

110 And, to avoid doubt, Gerard’s lost sales and falling market share is not due to customers switching all of their volumes to Ross Roofs and other steel tile products. As the next figure shows, based on BRANZ survey data and Gerard’s own estimates, all steel tile pressers have been steadily losing share to long-run and other roofing products over the last 10 years.⁷⁷ []

⁷³ Gerard estimates those market shares by comparing its sales (converted into a per house equivalent) against building consents issued by region.

⁷⁴ See tables at [102] below. And that figures falls to []% if we consider 2016-2020, but Gerard acknowledges that some lost sales in 2020 might have been because of Covid-19 rather than competition from long-run and other roofing products.

⁷⁵ With that figure falling to []% between 2016-2020.

⁷⁶ These figures capture utilisation of both domestic and exported tiles.

⁷⁷ Gerard attaches that underlying data at **Schedule A**. Gerard has taken BRANZ public data and combined that with its own estimates to calculate estimated market shares.

111 For completeness, Gerard notes that its internal 2019 market share estimate of ~[]% is higher than the equivalent BRANZ-based estimate of 7.7%. That difference is likely because Gerard’s internal calculation is an estimate of total roofing products sold on a per square metre basis, whereas the BRANZ-based data is based on a house-by-house survey. And, given that the vast majority of Gerard’s sales are to a handful of GHBs and retirement home villages (see next section), the company might be underrepresented in the BRANZ-based data if its large GHB customers do not respond to the BRANZ survey.

112 But, regardless of the underlying market share methodology, the key point is that the Gerard and BRANZ data consistently shows that steel tiles are increasingly losing market share to profiled long-run (as well as asphalt shingles and membrane roofing systems). And there is no sign that that trend is set to change.

Group Home Builders

113 The drop in demand for tiles has seen Gerard’s sales increasingly come from GHBs, other volume builders and retirement home builders that sell house & land packages and pre spec’d homes to customers who do not freely choose the roof of their choice. These large buyers use their significant group buying power to negotiate the lowest priced building materials for their customers.

114 Specifically, GHBs, volume builders and retirement home builders are able to negotiate very low prices from Gerard by threatening to switch to long-run steel roofs sold by the likes of Dimond, Metalcraft, Roofing Industries and Steel & Tube. Indeed, GHBs negotiate robustly in this manner in practically all pricing negotiations with Gerard.⁷⁸ GHBs know that Gerard is losing significant volumes and market share to long-run steel roofs and they don’t hesitate to use that reality against Gerard to secure the best prices for their customers.

115 And those threats are very real. As set out in the tables below, in 2020 []% of Gerard’s sales (by volume) were to volume builders, GHBs and retirement village builders, up from [] in 2016.

	2016	2017	2018	2019	2020
Top 10 GHBs					
Retirement					
Volume bld					
Local builder					
Total					

Gerard sales (volume) by builder type (000s)

⁷⁸ [].

	2016	2017	2018	2019	2020
Top 10 GHBs					
Retirement					
Volume bld					
Local builder					
Total					

Gerard sales (volume) by builder type (percentage of total)

116 Indeed, [] GHBs and retirement home builders accounted for []% of Gerard’s sales in 2019: [].

117 So, if one or more of those substantial group builders chose long-run steel, asphalt shingles or concrete tiles over Gerard’s steel tiles, that switch would have a significant and substantial effect on Gerard’s business. Losing that GHB business is not a risk that Gerard can take now or post-transaction, especially given the substantial investment in new machinery and premises that MergeCo will make.

118 []

	2016	2017	2018	2019	2020
Top 10 GHBs					
Retirement					
Volume bld					
Local builder					
Total					

RRG sales (volume) by builder type⁷⁹

	2016	2017	2018	2019	2020
Top 10 GHBs					
Retirement					
Volume bld					
Local builder					
Total					

Gerard sales (volume) by builder type (percentage of total)

⁷⁹ [] (See <https://www.stats.govt.nz/information-releases/building-consents-issued-march-2021>)

COMMERCIAL RATIONALE

- 120 Gerard's production machinery, factory and warehouse buildings require ~\$[] in new investment over the next 5-10 years to maintain current output.⁸⁰ [].⁸¹
- 121 In those circumstances, Gerard considers that it is most efficient to acquire Ross Roofs and build on its existing site than to invest in a new greenfield site or to re-invest in its existing Glen Innes site [].⁸²
- 122 That approach will see the fabrication, warehousing, finance and administration consolidated and combined at Ross Roofs' freehold Takanini site, with the merged company then undertaking significant investment (~NZ\$[]m) to expand that site to accommodate MergeCo's output.
- 123 And, in doing so, MergeCo will:

123.1 **Maximise production efficiencies.** At present, Gerard and Ross Roofs have a combined pressing capacity of ~[]m tiles per year across their Glen Innes and Takanini factories.⁸³ But, collectively, the two companies only press ~[]m tiles per year,⁸⁴ which is around []% of the firms' combined plant capacity. The proposed transaction will justify investment in a new purpose built facility that maximises MergeCo's size and production requirements.

123.2 **Capture economies of scale** to increase IKO's competitiveness in export markets (which comprises ~[]% of Gerard's business) that face significant competition from Chinese and Korean metal tile rivals. And the domestic market which is dominated by long-run roofing. That greater scale will help IKO/Gerard better compete in those markets by:

- (a) possibly securing better Zinalume prices from NZS;⁸⁵ and
- (b) spreading minimum overhead costs across the larger combined business, including costs that cover offshore sales representatives.

⁸⁰ [].

⁸¹ The site is owned by FBL.

⁸² [].

⁸³ Gerard's plant capacity is ~[]m tiles per year and Ross Roofs at ~[]m.

⁸⁴ In 2019, Gerard manufactured ~[]m tiles and Ross Roofs []m.

⁸⁵ Across MergeCo's domestic and export sales of metal tiles, it will purchase ~[]% of NZS's Zinalume capacity (which is over 200,000 tonnes/per year). MergeCo's increased size (which is mostly from its []% export business) will go some way to offsetting NZS's monopoly position over steel in this country.

FACTUAL AND COUNTERFACTUAL

124 If the merger proceeds then fabrication, warehousing, finance and administration would be consolidated and combined at Ross Roofs' Takanini site. With that site then upgraded to accommodate MergeCo's increased capacity, as just described.

125 At this stage, Gerard expects the counterfactual to be the status quo with the company likely making the significant investment that Gerard needs in a less efficient way than is offered by this proposed transaction.

126 [].

127 [].

COMPETITION ANALYSIS: UNILATERAL EFFECTS (ROOFING MARKET)

128 The proposed transaction will result in the loss of competition between Gerard and Ross Roofs' steel tile roofing products.

129 This section explains why that loss of competition will not be likely to substantially lessen competition in any market.

Market definition

130 Gerard considers that this proposed transaction is best assessed against the market for residential roofing products in New Zealand.

131 All roofing products are functionally the same and any given consumer's preference for particular roofing designs, shapes, sizes and materials are individual to them and not readily apparent or known to roofing manufacturers. It follows that roofing manufacturers have to be aware of all roofing options in the market to offer a competitively product to consumers.

132 There might be, of course, some products (like expensive premium products) that are less likely to be a preferred option for some customers. But, that reality is not – in and of itself – a reason to define separate markets as a matter of fact and commercial common sense after working through the typical product, geographic and customer dimension factors. The New Zealand residential roofing products market is, instead, one full of many products each having pros, cons and, possibly, varying levels of popularity among consumers. And Gerard is confident that, within that market, this transaction will not SLC because of the strong constraints provided by long-run roofing, asphalt shingles, concrete tiles and other popular roofing products.

133 Gerard notes, though, that its views would not change if the Commission defined a narrower market that, for instance, excluded premium products. As the High Court recently observed: "numerous judicial decisions have emphasised that market definitions are but a tool used in various competition law contexts to provide a framework for analysis of the relevant competition law concern".⁸⁶

134 We expand on that framework and Gerard's competition analysis below.

Product dimension

135 Gerard considers the relevant product market to be that for residential roofing products in New Zealand. That product market includes:

⁸⁶ *NZME Limited v Fairfax Media Limited* [2017] NZHC 3186.

- 135.1 Profiled long-run steel (*ColorSteel, ColorCote* and *KiwiColor*) sold by Dimond, Steel & Tube, Metalcraft, Roof Industries, Stratco, Freemans Group, Steelformers and the like;
- 135.2 pressed steel tiles sold by Gerard, Ross Roofs, Metalcraft and Apex;
- 135.3 imported asphalt shingles from GAF, PABCO, Owens Corning and so on;
- 135.4 concrete tiles imported by Monier;
- 135.5 terracotta tiles imported by Monier and Natural Roofing Products;
- 135.6 membrane roofing systems sold by Nuralite, Viking Roof spec, ARDEX etc.; and
- 135.7 premium roofing products, like slate, cedar shakes, solar tiles and copper.
- 136 That proposed product market, covering different residential roofing materials, matches the Commission's approach in *Monier/Hume* and *Monier/Lifestyle* and is consistent with the "conservative approach" taken by the Commission in *CSR Building Products*.
- 137 Those three cases involved, at their respective assessment dates, the merger of New Zealand's only two concrete tile manufacturers. Despite that consolidation, the Commission cleared each deal on the basis that there was competition from other roofing materials. Specifically in:
- 137.1 *Monier/Humes* – a 1989 2→1 concrete tile merger – the Commission gave clearance on the basis of competitive constraint provided by metal roofing materials (including metal tiles, coloured steel, and galvanized iron);⁸⁷
- 137.2 *Monier/Lifestyle* – a 1990 2→1 concrete tile merger – the Commission considered that the market would remain competitive post-acquisition due to the competition provided by suppliers of metal roofing materials and, to a lesser extent, other roofing materials such as shingle and butynol;⁸⁸ and
- 137.3 *CSR Building Products* – a 2008 2→1 concrete tile merger – the Commission concluded that "it may be that" long-run is a viable substitute for steel and concrete tiles, but that the Commission did not need to assess that question closely because it did not have any issues in a narrow product market that

⁸⁷ Summary provided at [20] of *CSR Building Products*.

⁸⁸ Summary provided at [21]-[22] of *CSR Building Products*.

contained steel roof tiles and concrete tiles.⁸⁹ Around that time (based on BRANZ 2010 market share data), long-run roofs had an ~53% share of New Zealand's residential roof market and concrete tiles/metal tiles had a share of ~39%. That equation has changed significantly since then. Now (based on 2019 BRANZ data) long-run steel has a 70%+ market share, with concrete and metal tiles sitting at just 18%.⁹⁰

- 138 This application's suggested market definition is also consistent with the Commission's *Decision 376* involving, among other products, a merger between Fletcher's and Steel & Tube's residential roofing products. Relevantly for this application, the Commission defined a national market for the manufacture and distribution of domestic roofing products.⁹¹
- 139 Indeed, all roofing materials do functionally the same thing: protect homes from the weather. So a customer's ultimate choice of roof comes down to an appearance/price/quality trade-off based on each customer's subjective beliefs about what roofing materials/profiles offer the best value overall, as outlined in the Industry section above. And roofing companies are unable to readily identify those individual buying preferences during sale negotiations.
- 140 In terms of fashion and aesthetics, Gerard says that no roofing material has a sufficiently distinct/distinguishable design to appropriately define separate product markets based on aesthetics. In support of that view, Gerard notes that:
- 140.1 Customers wanting a "shingle" profile roof, for instance, can choose from asphalt shingles, steel tiles, concrete tiles or terracotta tiles (as set out in the Industry section above, each of those materials has a shingle-style profile option).
- 140.2 There's no evidence that customers are so wedded to a particular roofing profile that they wouldn't switch to another design, especially if faced with a SSNIP. Indeed, the recent trend toward profiled long-run steel highlights the opposite. Steel tiles – despite being compositionally identical to long-run steel roofs (both made from Zinalume) – are increasingly losing market share to long-run steel roofs. With that evidence alone showing that a significant proportion of customers actively switch from tile designs to profiled long-run.

⁸⁹ *CSR Building Products*, NZCC Decision No. 648, at [64].

⁹⁰ And Gerard understands that this trend has continued into 2021.

⁹¹ Summary provided at [17] of *CSR Building Products*.

140.3 The many different profiles of long-run roofing (see Dimond’s 15 examples above), mean that no particular “look” can be uniformly and universally attributed to profiled long-run steel. Tray profiles, for instance, look very different to classic corrugate. So, a customer’s preference for roofing styles could, as a hypothetical example, be: (1) tray long-run; (2) shingles; and (3) corrugate and a SSNIP could see that customer switch between those three styles.

140.4 Some customers’ preference for roofing systems might be dictated by colour-options rather than profile. For instance, a customer might prefer an asphalt roof system because they like the colours offered by GAF and not those of, say, Gerard or Metalcraft.

140.5 And, from the supply side, long-run roll formers can quickly and easily pivot to cutting and pressing steel into tiles if fashion trends swung back in the favour of tiled roofs (as explained further in the entry and expansion section below).

141 Practically, all roofing materials can be used on typical residential pitched roofs. While there are some minimum pitch level differences between products, those variations are minimal. And, in any event, any roof that can use steel tiles can also use long-run, asphalt shingles, concrete tiles and terracotta tiles – as set out in the following table.

Product	Minimum pitch
Profiled long-run steel	3° - 8° depending on the profile
Pressed steel tiles	12° for flat profiles (shingle or shake) 15° for deeper profiles (rounded)
Asphalt shingles	9°
Concrete tiles	15° to 22° depending on rafter length
Terracotta tiles	12°+ depending on profile and roof design
Membrane roofing systems	1.5° depending on substrate under membrane
Premium roofing products (like slate, cedar shakes, solar tiles and copper)	Varies depending on product and roof design

142 From a price standpoint, steel, asphalt shingles and concrete are all lower cost roofing options. With terracotta tiles, copper long-run, cedar tiles, slate tiles and

solar tiles being more expensive premium products. However, the end price varies significantly by house across a number of factors, including:⁹²

142.1 profile choice (noting, for instance, that some long-run and steel tile profiles are more expensive to fabricate than others);

142.2 colour choice;

142.3 finish (for instance, chipped or unchipped);

142.4 roof design (noting, for instance, roofs with chimneys, skylights and valleys will cost more to install than simpler roofs); and

142.5 the height of the house (given scaffolding costs can be expensive on multi-storey houses).

143 Given those factors, it is difficult to assess the cost of a finished roof with precision.

144 That reality is, by way of example, with the broad pricing estimates given on www.builderscrack.co.nz:⁹³

Roof material⁹⁴	Builderscrack.co.nz estimate for 100m² roof
Asphalt	\$8,300 - \$19,200
Copper	\$20,100 - \$37,500
Corrugated iron ⁹⁵	\$6,100 - \$9,800
Membrane	\$9,000 - \$16,000
Slate	\$19,200 - \$33,600
Tile (concrete/clay)	\$8,300 - \$13,800

⁹² Relevantly, BRANZ have a comprehensive list of different influences that affect roof design and performance. <https://d39d3mj7qio96p.cloudfront.net/media/documents/BRANZ-Facts-Roof-Design-2-Performance-Influences.pdf>

⁹³ <https://builderscrack.co.nz/estimates/roofing>. Those estimates come with the following proviso: "This estimate indicates a "ballpark" estimate of job costs. Once you get an idea of costs, post a job to find tradespeople." (Figures obtained on 12 April 2021).

⁹⁴ As referred to by the Builderscrack website.

⁹⁵ The Builderscrack website is silent on whether this category includes steel tiles. But the fact that Builderscrack does not have a separate "steel tile" roof material is perhaps consistent with the close substitutability between long run steel and steel tiles.

145 Similarly, for general context, website www.refreshrenovations.co.nz estimates different per m² costs of various roofing materials.⁹⁶

Roof material	refreshrenovations.co.nz estimate per m²
Long-run steel	\$56
Metal tiles	\$50-\$70
Concrete tiles	\$75
Clay tiles	\$104
Slate tiles	\$300
Copper tiles	\$190
Membrane	\$100
Cedar shakes	\$160
Asphalt shingles	\$55

146 Importantly, though, those prices do not consider quality-factors that may be appealing to certain customers. As Refresh Renovations notes in relation to copper tiles: “from around \$190m² + GST for a low-mono pitch roof, copper is not a cheap option – but when it can last 200 years, that’s great value”.⁹⁷ Similarly, although possibly a little more expensive, concrete tiles are significantly more durable than steel options.

147 It follows that a customer’s ultimate choice of roof comes down to their personal assessment of price/appearance/quality trade-offs offered by various products. For some customers, that assessment will see them select corrugated steel roofing and for others a premium, exclusive and long-lasting slate roof. Much in the same way as not everyone buys the cheapest cars or small rigid packaging options in the market.⁹⁸

148 Consistently, as set out in the Industry section, Gerard notes from its observations and experience that different homeowners/builders make different price/quality-adjusted roofing choices. For instance, Gerard understands that:

148.1 BOP’s Classic Builders often use concrete tiles;

⁹⁶ <https://www.refreshrenovations.co.nz/project-estimates/how-much-does-a-new-roof-cost/>. Those estimates come with the following proviso: “A huge number of variables affect costs; prices quoted are a guide only, include installation, and are GST exclusive”.

⁹⁷ <https://www.refreshrenovations.co.nz/project-estimates/how-much-does-a-new-roof-cost/>.

⁹⁸ Gerard notes, for instance, the Commission’s recent clearance of Pact Group and Flight Plastics.

- 148.2 homeowners in Auckland's new Flat Bush subdivision seemingly prefer concrete tiles and asphalt shingles;
- 148.3 homeowners in Auckland's new Silverdale subdivision look to prefer asphalt shingles;
- 148.4 Queenstown new builds are typically long-run steel (as is often dictated by restrictive covenants in those areas);
- 148.5 similar restrictive design guidelines are being introduced in other parts of New Zealand, like Raglan's new Rangitahi subdivision; and
- 148.6 a large number of houses in new Christchurch subdivisions have chosen long-run steel roofs, including:
- (a) Sockburn South;
 - (b) Halswell;
 - (c) South East Halswell;
 - (d) Highstead;
 - (e) South Hei Hei;
 - (f) Hei Hei;
 - (g) North West Highstead;
 - (h) North West Casebrook; and
 - (i) Casebrook.

(See examples of a selection of those areas in **Schedule C**).

149 And, staying on Christchurch, Gerard notes that the Garden City offers a particularly insightful case study showing the substitutability between steel tiles and long-run. At ~[]%, Gerard's internal market share estimate in Christchurch is lower than Gerard's New Zealand average ([]%), despite lighter roofing materials being preferred by the majority of Cantabrian builders and homeowners after the earthquake. The reason for that outcome is because there are ~7-8 significant roll-formers in Christchurch. Those roll-formers simply out-compete steel tile pressers in that area.

150 Similarly, in Wellington City – another earthquake prone area – Gerard's market share dropped from []% in 2016 to just []% in 2020, despite the November 2016

Kaikoura earthquake rattling the city during that period and, in doing so, likely reducing the appeal of concrete tiles.

- 151 One wouldn't expect to see these outcomes if tiles (including steel tiles) were, in fact, in their own product market.
- 152 Indeed, if tiles were a distinct product market based on aesthetics then we wouldn't expect Gerard's market shares to fluctuate so decidedly between directly neighbouring regions.⁹⁹ It can't be that New Zealander's design/aesthetic tastes differ so strongly and significantly between neighbours. The reality is instead that Gerard's market shares reflect where its key GHB, volume builders and retirement homes are developing projects. And those are customers that have significant buying power and a range of competitive roofing options available to them.
- 153 That dynamic can be seen graphically too, as all of the country's main tile suppliers have steadily lost market share to long-run and other roofing products:¹⁰⁰ []
- 154 Lastly, and as just touched on, there will be some customers who won't want concrete, terracotta and slate tiles due to perceived earthquake risks of having a heavier roof. Those customers, though, cannot be readily or easily identified such that they can be price discriminated against and not reap the benefits of competition that concrete tiles bring to the market. Nor are those customers discerning between long-run steel and steel tiles (as the Christchurch and Wellington case studies above show).
- 155 In summary, all roof products are functionally the same, and a customer's choice comes down to appearance/price/quality trade-off that factors in a range of subjective considerations unique to each individual homeowner.
- 156 It is, therefore, appropriate – as a matter of fact and commercial common sense – to define the product market as that for residential roofing products.

Supply chain dimension

- 157 Gerard and Ross Roofs cut, press and paint steel manufactured by NZS (or occasionally [] steel mills) into steel tiles. Much in the same way that roll-formers, like Dimond and Metalcraft, roll form pre-painted NZS steel into various long-run roofing profiles.
- 158 Those companies then wholesale roofing products to builders – either directly, or through a local roofer ("distributor") – in competition with manufacturers/importers

⁹⁹ For instance, Gerard has a []% market share of Porirua and an []% share in Wellington.

¹⁰⁰ This graph is based on Gerard's estimates of BRANZ survey data, see **Schedule A**.

of other roofing products like NZ Steel, GAF and Monier (and their independent or vertically integrated distributors).

159 As set out in the “how sales are made” section, those wholesale sales reflect directly or indirectly (in the case of GHBs’ house & land packages and pre-spec’d home options) a homeowners choice of roofing system.

160 It follows that this transaction could be appropriately assessed at either the wholesale or retail level given that at both levels of the supply chain competition is dictated by the end homeowner.

161 Against that reality, and consistently with the Commission’s other cases, this application suggests that the Commission assess the market against the retail sale of residential roofing products in New Zealand. But notes that ultimately nothing should turn on this point.

Geographic dimension

162 All roofing products are made available across New Zealand. And Gerard and Ross Roofs both press steel tiles in Auckland, which means that the two companies have roughly the same distribution costs around New Zealand.

163 For those reasons, in assessing the competitive effects of the proposed transaction, Gerard considers that the market is appropriately defined as a national one.

Customer dimension

164 Gerard is not aware of any customers or group of customers that have different competitive options for residential roofing products such that it’s appropriate to define separate customer markets.

165 Gerard notes, for completeness, that GHBs have the same roofing options as everyone else. It is just that those large, sophisticated, group buyers are mainly interested in achieving a low price point, which is an outcome than can be achieved by many competing products in the market, including: long-run steel, steel tiles, asphalt shingles and concrete tiles. (Smaller “local builder” customers, by comparison, appear to be more willing to substitute those cheaper roofing products for premium roofing products on a price/appearance/quality trade-off basis).

Competition in the residential roofing market

166 Gerard Roofs is confident that the proposed transaction does not give rise to, nor would be likely to give rise to, a substantial lessening of competition in the national market for residential roofing products. (Or any more narrowly defined market).

167 Gerard says that because:

167.1 MergeCo will continue to face strong **existing competition** from long-run profiled steel, asphalt shingles, concrete tiles, terracotta tiles and premium roofing products;¹⁰¹

167.2 the significant competition from long-run steel is expected to **increase** as homeowners continue to shift their buying preferences to in-fashion profiled steel roofs (see the year-on-year growth of long-run steel in the BRANZ market share data outlined in the Industry section);

167.3 and, to the extent that fashion trends swing from profiled long-run steel to steel pressed into tiles, then MergeCo will be constrained by:

- (a) other existing metal tile pressers, concrete tiles, asphalt shingles, terracotta tiles and other premium "tiled" roofing products like slate;
- (b) the ability for existing long-run roll-formers, like Dimond, Roofing Industries and Steel & Tube, to quickly and easily begin pressing long-run steel into tiles to meet any change in consumer roofing tastes (i.e., there are low barriers to entry and expansion to pressing steel tiles); and
- (c) the ability for overseas steel tile manufacturers to import their products into New Zealand; and

167.4 at all times, customers who just want the cheapest roof/home available will be able to buy NZS's corrugate steel (the cheapest product on the market) and will continue to have their interests protected by GHB's and volume builder's **significant buyer power** by threatening to:

- (a) switch to other roofing product suppliers, in particular, long-run roofing, asphalt shingles manufacturers/distributors or concrete tiles; and/or
- (b) stop promoting steel tiles in pre-spec'd homes which GHBs know are already losing significant market share to increasingly fashionable long-run steel roofs.

168 Indeed, MergeCo would have only a ~12% share of New Zealand's residential roofing market.¹⁰²

¹⁰¹ As well as competition from other steel tile manufacturers: Metalcraft and Apex.

¹⁰² Based on the BRANZ survey estimates.

169 We expand below.

Existing competition

170 As set out in the Industry section, there are a significant number of roofing product competitors that would continue to place significant constraint on MergeCo, including:

170.1 **Dimond** – a subsidiary of NZX-listed Fletcher Building that roll-forms unpainted Zinacalume and Fletcher’s in-house Colorcote steel. Dimond has roll-forming facilities from Whangarei to Invercargill and has a nationwide distribution/installation network. Gerard estimates that Dimond has annual roofing sales of ~\$[]m (approximately [] times larger than Gerard’s domestic sales (~\$[]m per annum)).

170.2 **Metalcraft** – “New Zealand’s largest and most established privately owned building product rollformer and installer with an extensive range of Longrun Roofing profiles, Lightweight Metal Tiles and Rainwater System solutions”.¹⁰³ Metalcraft has operated since 1950 and sells roll-formed and pressed NZS Colorsteel steel from ~14 locations around the country. Gerard estimates that Metalcraft has annual roofing sales of ~\$[]m (which is approximately [] times larger than Gerard’s domestic sales).

170.3 **Steel & Tube** – an NZX-listed long-run residential and commercial roofing supplier with a national distribution network. Steel & Tube roll-forms long-run Colorsteel steel from six processing facilities in Whangarei, Auckland, Mount Maunganui, Hamilton, Wellington and Christchurch. Gerard estimates that Steel & Tube has annual roofing sales of ~\$[]m.

170.4 **Roofing Industries** – is a national roll former of long-run Colorsteel and Colorcote steel, with 13 offices from Whangarei to Cromwell.

170.5 **Other rollformers** – a number of other significant regional roll-formers around the country including, for instance:

- (a) **Stratco** – is a roll-former with factories in Napier and Cromwell and offices in Mount Maunganui, Rotorua and Taupo. Stratco has over 35 years’ experience in the New Zealand and offers a range of different long-run profiles.¹⁰⁴

¹⁰³ <https://www.metalcraftgroup.co.nz/about-us/metalcraft-roofing/>

¹⁰⁴ <https://www.stratco.co.nz/products/roofing/>

- (b) **Freeman Group** – is a lower North Island and South Island roll-former with branches in Wellington, Nelson, Blehheim, Ashburton, Timaru, Wanaka, Queenstown and Dunedin. Freeman Group sell roll-formed *Colorsteel* in at least six different profiles.¹⁰⁵
- (c) **Steelformers** – is a significant rollformer in the Taranaki and King Country areas. There are four Steelformers in New Plymouth, Stratford, Whanganui and Taumarunui. Steelformers have six standard profiles and are about to launch a new architectural product range to meet customer demands for premium tray designs.¹⁰⁶

170.6 **Monier** – New Zealand’s main concrete tile and terracotta tile importer with a significant New Zealand and Australian presence.

170.7 **Shingles** imported by the world’s largest asphalt shingle manufacturers, including GAF, PABCO, IKO and Owens Corning, and sold by major New Zealand distributors like Viking Roof Spec.

171 Based on Gerard’s estimates, using BRANZ’s 2019 survey data as base, Gerard and Ross Roofs have a combined share of just ~12% of the total market:

Manufactured / imported material	Fabricated product	Roofing product competitor	Market share estimate
Steel	Roll-formed long-run	Dimond; Metalcraft; Roofing Industries; Steel & Tube; and others	70.5%
		Gerard Roofs	7.7%
	Ross Roofs	4.5%	
	Metalcraft	1.5%	
	Apex; Monier	<1%	
Shingles	Shingles	GAF Roofing New Zealand; JP Franklin Roofing Services; Asphalt Shingle Roofing Supplies Ltd; etc.	9.8%

¹⁰⁵ <https://www.roofing.co.nz/products/>

¹⁰⁶ <https://www.steelformers.co.nz/quadro>

Concrete	Concrete tiles	Monier (and distributors)	4.3%
Membrane	Membrane	Nuralite; Viking Roof spec; ARDEX; etc.	1.7%
Terracotta	Terracotta tiles	Monier (and distributors)	<1%
Slate	Slate tiles	Natural Roofing Products; MacMillan Slaters & Tilers; etc	<1%
Cedar	Cedar tiles	Natural Roofing Products etc.	<1%
Copper	Copper	Dimond etc.	<1%
Solar tile	Solar tiles	Monier;	<1%

- 172 Each of those competitors, individually and/or collectively, will continue to place significant constraint on MergeCo post-transaction.
- 173 MergeCo could not profitably increase its steel tile prices by 5-10% in a market that:
- 173.1 is shifting from "tile" style roofs to profiled long-run steel; and
- 173.2 contains significant national competitors in Dimond, Metalcraft, Steel & Tube, Monier, GAF, and so on.
- 174 Moreover, that competition, and MergeCo's incentive to increase the appeal of metal tiles, means that MergeCo would have no incentive to decrease the quality/style/appearance of its tiles post-transaction. To the contrary, the proposed merger will allow Gerard and Ross Roofs to pool their resources and experience to press steel tiles that are high quality and increasingly appealing to New Zealand consumers, builders and subdivision developers.
- 175 That reality is even further cemented considering that ~[]% of MergeCo's tiles will be exported overseas in competition with Korean and Chinese steel tile rivals. If Gerard were to, post-transaction, lower the quality of its steel tiles then both its domestic and international export business would be severely damaged. (And, for completeness, Gerard and Ross Roofs press their domestic and export tiles in the exact same batches – so there is no way for MergeCo to "quality discriminate" between local and exported products, nor would it make any commercial sense to do so).

That existing profiled long-run competition is only set to get stronger

- 176 The significant competition that steel tiles face from profiled long-run steel is only set to increase as house fashions continue to trend toward roll-formed *Colorsteel* and *Colorcote* roofs.
- 177 As noted above, Gerard has been steadily losing market share to profiled long-run steel products. And there is no signs that that trend is likely to reverse any time soon as profiled long-run steel roofs continue to be the industry trend.
- 178 While only anecdotal evidence, the table below tallies the roofing material on the "Top 100" New Zealand "Houses of the Year" (where that information can be ascertained on www.houseoftheyear.co.nz) over the last three years.¹⁰⁷

Year	Profiled long-run steel	Tiles				Others / unclear
		Steel	Asphalt shingle	Terracot.	Slate / copper	
2018	67	1	2	0	2	28
2019	61	1	3	0	0	35
2020	66	2	1	2	2	27

- 179 And those design preferences are starting to be enshrined in subdivision guidelines that prohibit certain roofing products, like those at Raglan and Central Otago's Jack's Point, Hanley's Farm, Millbrook, The Heights, Clearview and Northlake. With those design prohibitions then more widely affecting the tastes and choices in neighbouring subdivisions, either because tiles are not commonly stocked by roofing distributors in those areas or for architectural cohesion reasons. That feedback loop has, for instance, seen Gerard left with just an estimated []% market share in Central Otago.
- 180 Moreover, those houses in Central Otago, Waikato (and other regions) then feature on *Grand Designs* and *New Zealand House of the Year* which further pushes nationwide housing tastes toward long-run profiled steel. (A trend that is being quickly adopted given that long-run steel is also a cheap roofing product).
- 181 Put simply, Gerard could not reverse that trend post-merger while increasing prices and/or decreasing the quality of its steel tiles. To the contrary, the transaction will put MergeCo in the best position to offer compelling and competitive steel tiles to New Zealanders in competition with a range of significant long-run roofing competitors.

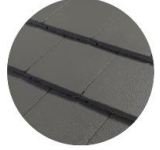




¹⁰⁷ Gerard notes that this tally may not be exact, but considers that it appropriately illustrates the point that profiled long-run steel is, by far, the on-trend roofing material in the country.

In any event significant competition for tiled roofs will remain and emerge

- 182 Given the widespread preference for, and universal application of, profiled long-run roofing in New Zealand, it's impossible for tiled roof pressers to identify and price discriminate customers that steadfastly want a tiled roof. That reality is, of course, because the majority of homeowners would readily substitute metal tiles for profiled long-run steel if faced with a SSNIP.
- 183 Moreover, there is no indication that that preference for profiled long-run steel roofs is likely to let up any time soon.
- 184 Despite these points, the remainder of this section expands on the array of competition options that would be available to customers wanting tiled roof styles in the event that design preferences swing from long-run roofs to tiled roofs in the future (which, in and of itself, would be a speculative prediction).

Existing tiled roof competitors

- 185 There are a range of existing competitors in New Zealand's residential roofing product market that sell tiled roofing systems in competition with MergeCo:
- 185.1 shingles sold by the likes of GAF Roofing New Zealand, JP Franklin Roofing Services, Asphalt Shingle Roofing Supplies, Southern Superior Roofing and Shingle & Shake;
- 185.2 metal tiles sold by Metalcraft, Apex and Monier;
- 185.3 Monier's concrete and terracotta tiles; and
- 185.4 Natural Roofing Products' terracotta, slate and other premium tiled products.
- 186 For customers wanting a tiled-style roof, the design of those different materials are very similar, as set out in the examples in the following table.

Concrete tiles	Terracotta tiles	Shingles	Metal tiles	Slate tiles
				

- 187 And, as set out the market definition section (product dimension), each of those different materials will have varied pros and cons for different consumers.

Low barriers to pressing or importing metal tiles

- 188 Moreover, current long-run roll formers like Dimond, Steel & Tube and Roofing Industries could quickly, easily and affordably pivot to pressing steel tiles in the event that design trends swing toward tiled roofs. Just as Metalcraft does today.
- 189 Gerard estimates that it would cost around NZD \$[] for an existing long-run roll-former to buy a tile roll-form machine and press ~400,000 pre-painted steel tiles per year (on a single shift) in one profile design. That process would, in essence, be like adding a new long-run profile to the company's portfolio of steel products.
- 190 Given that ~[] of Gerard's domestic sales are from one tile profile ("[]"), a rival's investment in just one profile line would be enough to place material constraint on MergeCo in the event that fashion trends turn toward tile-styled roofs. (Along with the other tiled products we mention above).
- 191 Furthermore, Gerard estimates that it would cost only NZD \$[]m for an existing long-run roll-former to buy the required equipment to go the whole way (like Metalcraft) and:
- 191.1 press five steel profiles;
 - 191.2 make tile accessories (barrel & angle trim); and
 - 191.3 set up a chip coating line.
- 192 Under that scenario, the rival new entrant could produce around 500,000 to 1,000,000 tiles per year on a single shift. (By comparison, Gerard sold approximately [] tiles domestically last year).
- 193 That investment would be a small fraction of national roofing roll-formers', like Dimond, Steel & Tube and Roofing Industries', total sales. And Gerard expects those companies would make that investment immediately if design trends switched away from current on-trend long-run profiles, like tray roofs, and toward tiles.
- 194 Gerard says that, of course, because those rival roofing companies' key commercial aim is to sell as much pre-painted *Colorsteel* and *Colorcote* as possible. And the only way to make those sales is to have the machinery available to roll-form and/or press that steel into designs/profiles that meet the tastes of New Zealand homeowners.
- 195 And, in the unlikely event those roll-formers didn't jump on that commercial opportunity, then steel tile importers would emerge to meet local demand. As set out above, MergeCo faces strong competition from Korean and Chinese steel tile

pressers in export markets. And there is no barrier to those rivals importing their products into New Zealand. Just as we have seen with asphalt shingles.

196 And, for completeness, obtaining Building Act appraisals, like BRANZ, is not a barrier to entry. A BRANZ appraisal is not required to sell roofing products in New Zealand ([]). Rather, all roofing types must meet the same performance requirements under the New Zealand Building Code clause E2.¹⁰⁸ BRANZ just provides an opinion on whether certain products meet that code.

197 To the extent that such appraisals are desired, the appraisal process would be simple for large steel roofing companies like Dimond, Steel & Tube and Roofing Industries who are familiar with those types of testing processes. And, as IKO's recent experience with shingles demonstrates,¹⁰⁹ the BRANZ process is quick, easy and affordable for importers of roofing products too.

Design-agnostic price sensitive customers' interests will be maintained

198 Lastly, Gerard acknowledges that there are some customers that primarily care about price and want the lowest priced roof no matter what it looks like.

199 For those customers, roll-formed NZS' *Colorsteel* will always have similar production costs to Gerard and MergeCo's roofing tiles. That reality is, of course, because NZS' Zinalume is the key input into Gerard's roofing tiles ([]). And that will remain true for MergeCo.

200 [].

201 Gerard also notes that imported shingles are becoming increasingly price competitive in New Zealand.

202 Moreover, many customers' demands are being increasingly met by volume builders and group home builders around the country that sell "house & land" packages and pre-spec'd homes. And those GHBs and volume builders, which usually have a national or regional footprint, use their significant buying power to negotiate the lowest priced building materials for their customers.

203 At present, those builders know that suppliers of tiled roofing products – like Gerard, Ross Roofs, Monier and Metalcraft – have significant excess capacity due to market-wide demand for long-run products. And GHBs use that knowledge to negotiate the lowest priced roofing products from those companies. Gerard notes that, in its

¹⁰⁸ Clause E2.3.1, for instance, records that "Roofs must shed precipitated moisture. In locations subject to snowfalls, roofs must also shed melted snow".

¹⁰⁹ [].

experience, GHBs threaten to switch to long-run roofing suppliers, like Dimond, Metalcraft and Steel & Tube, in practically all pricing negotiations.

- 204 That ever-present switching threat will exist both with and without the proposed transaction. And, indeed, with MergeCo's planned investment in new facilities to support its export business, the merged entity will need to recoup that investment by continuing to win GHB, volume builder and retirement home work. MergeCo could not recoup that investment while simultaneously increasing prices to GHBs, volume builders and retirement home builders who are both price sensitive, sophisticated and buy []% of Gerard's domestic tiles (with the six largest customers alone accounting for []% of Gerard's business).
- 205 And that switching threat is very real given that many GHBs already prefer long-run or other roofing products, like concrete and shingles (see, for example, the Schedule C subdivision photos).
- 206 It follows that those customers wanting the cheapest roof have:
- 206.1 similarly cost roofing materials available to them (namely corrugate Zinalume/*Colorsteel* long-run);
 - 206.2 other price competitive products in shingles and concrete tiles; and
 - 206.3 at their disposal large GHB and volume builders that have significant degrees of buying power to negotiate the best priced deals, with and without the transaction.

COMPEITITON ANALYSIS: VERTICAL / CONGLOMERATE / COORDINATED EFFECTS

207 The proposed transaction will not give rise to any vertical, conglomerate or coordinated effects.

Vertical / conglomerate

208 Gerard and Ross Roofs operate at the same levels of the supply chain and in the same markets. So, the proposed transaction will not provide Gerard, post-transaction, with any new vertical or conglomerate asset that would give it the ability or incentive to foreclose competition in any market.

Coordinated

209 The proposed transaction will not, and will not be likely to, increase the potential for coordinated effects to arise in any market. Specifically, there is no element of this proposed transaction that will make it easier for MergeCo and its competitors to:

209.1 reach agreement on price and/or quality of New Zealand roofing products;
and

209.2 sustain any such hypothetical agreement by:

(a) detecting deviations from that agreement; and/or

(b) punishing any deviations from that agreement.

210 We expand below with reference to the Commission's "market features that may facilitate coordinated conduct".

210.1 Roofing products are **not homogenous**. While all roofs complete the same functional task of keeping rain out of homes, each product is differentiated on a range of price, aesthetic and quality factors that we describe in the industry background section.

210.2 The market is **not controlled by a small number of competitors**. To the contrary, there are a range of competitors as described in the industry background section. While it is true that NZS controls the manufacture of Zinalume in this country, there are a significant number of firms that resell that product in all different shapes and sizes – from national roll-formers, to regional roll-formers, to tile pressers. All the while those rivals face competition from other distributors of alternative roofing products, like shingles and concrete.

- 210.3 Market participants do **not frequently or repeatedly interact**. Gerard and Ross Roofs operate completely independent businesses separate from the likes of Dimond, Steel & Tube and Metalcraft.
- 210.4 As just mentioned, incumbents are **not of a similar size and cost structures**. There are a multiple sized competitors in the market from NZX-listed Fletchers and Steel & Tube, to family-owned Ross Roof Group, to small independent shingle importers dotted around the country.
- 210.5 The market is **not lacking innovation or dynamism**. To the contrary, roofing styles and consumer preferences are evolving as new roll-forming, pressing and manufacturing technology develops. Gerard notes, for instance, that once upon a time corrugate was viewed as the only long-run steel product and now Dimond offers 15+ different profiles. Moreover, innovation in the metal roof tiles is apparent too, with Ross Roofs recently bringing a CF (“concealed fastener”) product to market. Similar new developments have been seen with concrete and shingle tile manufacturers who now offer an array of different colours in different profiles.
- 210.6 Market participants **cannot observe each other’s prices, volumes or capacity**. All negotiations over roof prices – whether at a local builder level or with a GHB – are made behind closed doors. Indeed, as set out in the various indicative pricing tables above, there are a range of different estimates and expectations around the price of different roofing materials. Moreover, the majority of MergeCo’s volumes (and hence capacity) is exported overseas on a quantity/volume unknown to market rivals.

CONFIDENTIALITY

- 1 IKO seeks confidentiality over the information in this application and documents attached at Schedule A that is contained within square brackets and highlighted yellow (Confidential Information).
- 2 IKO asks that the Commission notify it of any requests for Confidential Information made under the Official Information Act 1982. IKO respectfully asks that, in those circumstances, the Commission provide it with an opportunity to submit its views on why the information should not be disclosed.
- 3 For the purposes of s9(2)(b) of the OIA, IKO considers that the Confidential Information is:
 - commercially sensitive and valuable information which is confidential to it and/or Ross Roofs; and
 - public disclosure of the Confidential Information would be likely to unreasonably prejudice either parties commercial position.

SCHEDULE A: DOCUMENTS

Transaction documents

1 [].

2 [].

Applicant documents

3 BRANZ Physical Characteristics report.

4 [].

5 [].

6 [].

7 [].

8 [].

9 []

10 [].

11 [].

12 [].

13 [].

14 [].

15 [].

16 [].

17 []:

SCHEDULE B: COMMISSION REQUESTED INFORMATION AND DOCUMENTS

The following table specifically responds to the information and documents requested by the Commission in its s66 clearance notice form.

Notice para.	Commission request	Response
[1]	Applicant details	See body of application.
[2]	Other party details	See body of application.
[3]	Type of transaction, deal rationale, change of control, ancillary agreements, counterfactual.	See body of application and Schedule A.
[4]	International notification	No other competition agencies are being notified about this transaction.
[5.1]	Applicant's view on market definition	See body of application.
[5.2]	Each merging party's total sales revenues, volumes and capacity for the last three financial years.	See body of application and Schedule E.
[5.3]	Names and contact details of the merging parties' main competitors	See body of application for the names of Gerard's many competitors. The contact details for some of those main competitors are: 1. []
[5.3]	Names of any trade or industry associations which either of the merging parties participate	Gerard is part of the: <ul style="list-style-type: none"> Roofing Association of New Zealand; and Metal Roof Manufacturers Association. Ross Roofs to advise of any industry associations that it's part of: <ul style="list-style-type: none"> Roofing Association of New Zealand; NZ Green Building Council; and Metal Roof Manufacturers Association.
[5.4]	Names and contact details of merging parties top 5 customers	Gerard top 5 customers in 2020 (tiles bought): 1. []. Ross Roofs top 5 customers in 2020 (tiles bought): 1. [].
[6]	Explain why the deal is unlikely to SLC	See body of application

[7]	Copies of documents bringing about the merger	See Schedule A.
[8]	<p>Internal applicant documents seen by the Board or senior management within the last two years that relate to:</p> <p>211 the transaction; or</p> <p>212 market conditions.</p>	See Schedule A.
[9]	Most recent annual report, audited financial statements and management accounts	Relevant Gerard and Ross Roofs financial accounts see Schedule A.

SCHEDULE C: SUBDIVISION ROOFING PREFERENCES

Christchurch: new long-run GHB and volume builder subdivisions

- *Sockburn South:*



- *Halswell*



- *South East Halswell*



- *Highstead*



- *South Hei Hei*



- *Hei Hei*



- *North West Highstead*



- *North West Casebrook*



- *Casebrook*



Flat bush subdivision: case study – shingles, concrete, long-run

- Flat Bush shingles



- Flat Bush shingles



- Flat Bush concrete, long-run and shingles



Tauranga: *The Lakes Development* – concrete, long-run and some steel tiles

- Concrete



- Concrete



- Concrete



- Concrete



- Profiled long-run steel



- Long-run, concrete, steel tiles



- Long-run, concrete, steel tiles



- Long-run, concrete, steel tiles



- Long-run (mostly)



- Long-run, concrete, steel tiles



SCHEDULE D: SUBDIVISION RESTRICTIVE COVENANTS

This Schedule sets out some of the restrictive subdivision covenants discussed in this application.

1 *Wanaka's Clearview and The Heights:*

with the relevant dominant lands as detailed in Covenants hereunder. Covenant conditions specified hereunder shall apply in respect of all Covenants.

The servient land for the covenants is the land hereby sold and such other Lots on the Scheme Plan attached as the Vendor determines. The dominant land for all covenants is such Lots on the Scheme Plan attached as the Vendor determines.

COVENANT 1

No Servient Proprietor shall prior to the 1st day of January 2030 erect or permit to be erected on the Lot owned by that Proprietor any building structure or other improvement without first submitting the plans and specifications (including details of siting, materials and external finish) of such building structure or improvements to Universal Developments Limited or its nominee in that regard and obtaining its written approval thereto, which approval shall not be unreasonably or arbitrarily withheld or delayed. The decision of Universal Developments Limited or its nominee in that regard shall be based on whether the siting, colours, external design and materials are appropriate to a high quality subdivision and in keeping with existing or likely future developments on other lots subdivided out of Title CRF 194891. In the event that Universal Developments Limited or its nominee in that regard cannot be contacted, or unreasonably withholds or delays its decision in relation to approval, the decision regarding approval may be made by an Architect appointed on the application and at the cost of the relevant Servient Proprietor by the President or Vice President for the time being of the New Zealand Law Society.

Specifically (but subject to Covenant Conditions herein):

- (a) Colours shall be recessive colours of less than 35% reflectance;
- (b) Bricks or concrete blocks are not permitted as external finish unless plastered over;
- (c) **Tile roofs are not permitted.**

3.4 Roofs

Objective: To ensure that a unified roofscape in varying tones of grey and with a richness in gable rhythms is achieved.

Controls:

- a. All buildings will follow a design theme based on the gable roof form of 37.5° in pitch.
- b. No eaves or overhangs are permitted except on linking flat roof structures where an eave of up to 300mm is permitted.
- c. Roof claddings are limited to one finish selected from - Corrugated colour steel in either 'Grey Friars' or 'Sandstone Grey' or alternatively in a traditional natural grey slate (sample to be approved by the DRP).
- d. The DRP may allow, at their discretion, a second roof finish to a secondary form (i.e. garage) where they are satisfied that the overall design would benefit from this feature, for example where the garage has been designed as a separate 'Barn' structure.
- e. Flat roofs that connect and link pitched roofed pavilions are permitted but shall not exceed 25% of the total roof area (verandah areas shall be excluded from this calculation). Flat roof structures that do not link pavilion forms may be approved at the discretion of the DRP but their depth shall be no greater than 60% of the width of the adjoining pavilion. The flat roofs are to generally sit below the gutter line of the connecting pavilions and shall be covered in an approved membrane of a colour consistent with the main roof colour.
- f. Lean-to structures are permitted at the discretion of the DRP and shall, not exceed 60% of the width of the adjoining structure and shall have a minimum roof pitch of 10° and a maximum pitch of 37.5°. The scale and depth of the lean-to shall be appropriate to the pavilion that it adjoins.
- g. Barge and fascia boards shall be kept as fine as possible and shall be painted or stained to match the adjacent facades.
- h. All down pipes and gutters are to be in a colour matching the roof. Copper down pipes and gutters are permitted only when used with 'Grey Friars' coloured iron or with a slate roof. PVC downpipes and gutters are not permitted.
- i. All roof flashing and penetrations shall be in a colour and material consistent with the roof (no PVC is permitted). Penetrations are to be avoided where possible (i.e. vented out walls instead) and if used are to be mitigated by using custom built caps to follow the roof pitch and located on the more hidden side of the roof in order to avoid the 'mushroom' effect. Any roof flue taller than 600mm shall be treated as a chimney and be subject to the chimney rules herein.

Building Design:

To ensure the Village Design Objectives are achieved, building design shall:

- Be based on 'honest' construction of crisp, clean lines;
- Use architectural recesses, solids, voids, shadows, and light to help express texture, façade variation and appropriate visual scale adjacent public places. Blank or unrelieved facades shall be avoided, particularly from the public realm;
- Ensure that streets are spatially well contained and well defined by buildings along their edges.
- Respond to the street or other features in the placement of glazing areas, key rooms and activities which interact with the street, while maintaining a coherent internal efficiency;
- **Include rich roof forms of varied planes and lines. Roof forms should not conflict with the underlying lines of the mountainous backdrop that are visible from a site. Integrate roof peaks with logical main entrances where possible to help enhance their legibility from the street;**
- **Use material as an integrated part of design and form rather than as simple 'cladding'.**
- Respect the transitional space between the public and private realm. Maximise pedestrian accessibility into public spaces and not 'privatise' open spaces;
- Create active streets by fronting living environments to the street.
- Spaces between buildings shall where possible, respond to the larger views beyond the village.
- Ensure that awnings are provided where appropriate in a way that is compatible with the adjacent streetscape and pedestrian network.
- House all machinery and building services equipment in an architecturally attractive manner.
- Locate service access points and car park entrances away from pedestrian oriented Village street edges. Screen refuse and service areas from public spaces and pedestrian networks.

Building Element	Required Construction
External Walls	Exterior: 20 mm timber or 6mm fibre cement Frame: 100mm gap containing 100mm acoustic blanket (R2.2 Batts or similar) Two layers of 12.5mm gypsum plasterboard* (Or an equivalent combination of exterior and interior wall mass)
Windows	Up to 40% of wall area: Minimum thickness 6mm glazing** Up to 60% of wall area: Minimum thickness 8mm glazing** Up to 80% of wall area: Minimum thickness 8mm laminated glass or minimum 10mm double glazing** Aluminium framing with compression seals (or equivalent)
Pitched Roof	Cladding: 0.5mm profiled steel or tiles or 6mm corrugated fibre cement Frame: Timber truss with 100mm acoustic blanket (R 2.2 Batts or similar) Ceiling: 12.5mm gypsum plaster board*
Skillion Roof	Cladding: 0.5mm profiled steel or 6mm fibre cement Sarking: 20mm particle board or plywood Frame: 100mm gap containing 100mm acoustic blanket (R2.2 Batts or similar) Ceiling: 2 layers of 9.5mm gypsum plasterboard*
External Door	Solid core door (min. 24kg/m ²) with weather seals

* Where exterior walls are of brick veneer or stucco plaster the internal linings need be no thicker than 9.5mm gypsum plasterboard.

** Typical acoustic glazing usually involves thick single panes or laminated glass. Where two or more layers of glass are employed with an

Within Activity Areas R2(B), R2(C) and R2(D) mechanical ventilation that complies with the following table shall be installed in all buildings to be used for residential or visitor accommodation activities.

Table 2: Ventilation Requirements

Room Type	Outdoor Air Ventilation Rate (Air Changes per Hour)	
	Low Setting *	High Setting *
Principle living areas	1-2 ach/hr	Min. 15 ach/hr
Other habitable areas	1-2 ach/hr	Min. 5 ach/hr

* Each system must be able to be individually switched on and off and when on, be controlled across the range of ventilation rates by the occupant with a minimum of 3 stages. Each system providing the low setting flow rates is to be provided with a heating system which, at any time required by the occupant, is able to provide the incoming air with an 18 degC heat rise when the airflow is set to the low setting. Each heating system is to have a minimum of 3 equal heating stages. If air conditioning is provided to any space then the high setting ventilation requirement for that space is not required.

12.15.6 Resource Consent Assessment Matters

In considering whether or not to grant consent or impose conditions, the Council shall have regard to, but not be limited by, the following assessment matters:

5 Raglan's Rangitahi:

Design for quality

SETTING THE BUILDING BLOCKS

- Create a mixture of section sizes and widths that require a variety of built outcomes.
- Create street definition by controlling setbacks, Height and specific street environments.
- Control key aspects of the design that impact on the community feel of the development (e.g. corners, street ends, entrances and key sites).
- Deliver an excellent street-scape and green spaces that inspire a community feel and participation.

MATERIALS

Quality materials will be used in the construction of all facets of the houses, fences, walls and landscape features to ensure durability and functionality. We encourage the use of sustainable and Eco-friendly building materials wherever possible. Some materials may lower the quality of the peninsula. Rangitahi discourage the use of these, including but not limited to:

- Fiber cement board.
- Reflective glass.
- Bitumen coated soft board.
- Monolithic cladding systems. Plaster is only acceptable on concrete and masonry.
- Tiled roofs.
- Unstained or unpainted rough sawn timber fencing.

CLADDING SETS THE TONE

Cladding sets the tone for your house as well as protecting it from the elements. We've rounded up the top options to consider before you dive in. Choosing exterior cladding is a key decision that will influence how you feel about your home for years to come and how well it withstands the elements. Cladding style, colour and texture are just the beginning; you'll also need to consider factors such as cost, insulation performance, sustainability and durability. Quality materials we believe reflect the right look and feel for Raglan include but not limited to are;

- Metal - Steel, Iron or Aluminum (roofing and cladding)
- Timber (weather boards, board and batten, Shiplap, etc).
- Grey masonry (architectural styles) i.e. block work.
- Plaster on concrete or masonry. From smooth to highly textured or patterned, these often mix well with other types of cladding as a feature.
- Brick (architectural styles only).

See the Archipro website for more cladding ideas and inspiration available in New Zealand.

SCHEDULE E: GERARD AND ROSS ROOFS SALES – LAST THREE YEARS

Gerard

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Ross Roofs.

[]