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18 November 2025

By Email: Registrar@comcom.govt.nz

Commerce Commission | Te Komihana Tauhokohoko
55 Shortland Street
PO Box 105/222
Auckland 1010
New Zealand

Dear Registrar

Submission in relation to Mohawk Industries, Inc.'s application for clearance to acquire 100% of the shares in Bremworth Limited

1. Introduction and summary

1.1 We refer to the Statement of Preliminary Issues published by the Commerce Commission on 28 October 2025 (**SOPI**) in relation to Mohawk Industries, Inc.'s application for clearance for it, or any of its interconnected bodies corporates (which includes Godfrey Hirst New Zealand Limited (**Godfrey Hirst**), to acquire 100% of the shares in Bremworth Limited (**Bremworth**) (the **Proposed Transaction**).

1.2 We act for [ ].

1.3 Our client considers that the Proposed Transaction is likely to substantially lessen competition in the market for the import/manufacture and wholesale supply of wool carpets. This is because:

(a) it will remove Godfrey Hirst's closest competitor, effectively reduce the major New Zealand-based manufacturers of wool carpets from two to one, and strengthen Godfrey Hirst's position as a one-stop flooring supplier that rivals are not able to match;

(b) existing and potential importers of wool carpets are unlikely to provide a sufficient competitive constraint on the merged entity because they do not have the merged entity's scale and scope of products, incur import costs that local manufacturers do not incur and have longer lead times to fill orders compared to local manufacturers;

(c) the Proposed Transaction will enable the merged entity to leverage its dominant position to:

(i) reduce available contestable retail space for other wool carpet suppliers; and

(ii) extract more favourable purchasing terms from New Zealand wool suppliers which could make it more difficult for importers who manufacture carpets outside of New Zealand using New Zealand wool to compete with the merged entity; and

(d) retailer buying groups would not have countervailing power sufficient to constrain the merged entity as they could not risk losing Godfrey Hirst as a supplier in New Zealand given its size and scope of its offering.

1.4 We expand on these points below.

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2. The relevant market is the market for the import/manufacture and wholesale supply of wool carpets

2.1 The Clearance Application argues that hard flooring products (such as ceramic tiles, sheet vinyl, Luxury Vinyl Tile, timber, laminates as well as 'Hybrids' which blend laminates with vinyl) and rugs should be included in the same product market as soft flooring products such as wool and synthetic carpet.[1] The SOPI states the Commission is considering whether it might be more appropriate to define narrower product markets, including assessing soft flooring products separately from hard flooring products and wool carpet separately from synthetic.[2]

2.2 Our client considers that the relevant market for the purposes of assessing the Proposed Transaction is the market for the import/manufacture and wholesale supply of wool carpets in New Zealand. In our client's experience, consumer decisions regarding flooring materials typically involve weighing multiple factors including durability, aesthetics, budget, quality, suitability for specific applications (e.g., residential vs. commercial spaces, specialist uses, specific rooms in residential homes), comfort and feel, eco-consciousness and sustainability, brand recognition/status and other consumer preferences. It is highly unlikely, therefore, that consumers would regard wool carpets as being substitutable for carpets made from synthetic fibres or other hard flooring products:

(a) Wool carpets are generally marketed as a more premium flooring option, are more expensive (by pile weight) compared to synthetic carpets (some premium options can be offered at up to twice the price of synthetic carpet) and are considered more environmentally friendly as they are made from a natural, biodegradable and renewable material. The distinction between wool and synthetic carpet is reinforced to consumers by carpet retailers, many of whom have published articles explaining the differences between wool and synthetic carpet options.[3]

(b) While there can be a difference in quality between imported and locally manufactured wool carpet (for example, imported carpets may blend New Zealand wool with other wool in the manufacturing process); assuming a like for like product (e.g., wool carpet manufactured using 100% New Zealand wool), imported options typically incur higher costs due to freight and associated import charges.

(c) Consumers are highly unlikely to consider hard-flooring products as substitutable for wool carpet as they are used for different applications. As noted above, consumer decisions regarding flooring materials typically involve weighing multiple factors including suitability for specific applications as well as other factors such as consumer preferences. For example, hard floor products are almost exclusively used in bathrooms and kitchens as they can be easily cleaned. Consumers often prefer to use carpet in bedrooms and other quieter rooms in their homes as carpets dampen sounds and provide good noise insulation.

2.3 There are also significant differences in the carpet products sold for use in residential applications and commercial applications. For example, broadloom wool carpet is not typically used in commercial properties. The commercial property carpet market is dominated by synthetic carpet tiles and pattern or woven broadloom carpets which are imported into New Zealand.

2.4 In addition, while there are some similarities in the manufacturing process for both wool and synthetic carpets, there is no overlap between the manufacturing facilities for producing wool carpet and the manufacturing facilities required to produce varied hard flooring products. Accordingly, any existing manufacturers of hard flooring products in New Zealand could not easily switch to manufacturing carpet without significant capital investment.

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[1] The Application at [57 – 70].

[2] At [19].

[3] https://www.harrisonscarpet.co.nz/blog/wool-carpet-the-pros-and-cons-revealed; https://johnjarviscarpets.co.nz/choosing-the-right-carpet-synthetic-vs-wool/

3. The Proposed Transaction is likely to substantially lessen competition

3.1 The Proposed Transaction will increase Mohawk's dominance in the market for the wholesale supply of wool carpets by removing Godfrey Hirst's closest competitor, Bremworth. Godfrey Hirst and Bremworth are each other's closest competitors for the supply of wool carpets as the main local manufacturers of wool carpets in New Zealand, and post-Proposed Transaction our client estimates that the merged entity will have a combined market share of 60 – 65%. While Carpet Mill is also a New Zealand-based wool carpet manufacturer, it is a relatively small business and would not provide an effective constraint on the merged entity.

3.2 Godfrey Hirst already holds a dominant position in the market due to its size and scope. However, post-Proposed Transaction, Godfrey Hirst will be able to leverage its increased market share in the wool carpet wholesale market to foreclose competitors' access to contestable retail space. Carpet retailers are the primary channel to market for wool carpet suppliers and Godfrey Hirst could use its further strengthened market position post-Transaction to:

(a) negotiate even more attractive rebate terms which incentivise retailers to favour Godfrey Hirst over its competitors; and

(b) offer discounts to retailers who stock its wool carpets, synthetic carpets and other flooring types, which wool carpet suppliers would be unable to match.

3.3 This could limit choice for consumers and ultimately increase prices.

3.4 Further, to the extent the increase in the merged entity's market power results in a reduction of retailer margins, our client believes retailers may seek to offset this by requiring other wool carpet suppliers to offer better margins or make additional payments towards retailer marketing spend.

3.5 Our client considers that existing and potential importers of wool carpets will not provide a sufficient or effective competitive constraint on the merged entity. Locally produced wool carpet manufacturers have an advantage over importers because they are close to the source of the New Zealand wool fibres used in carpets, do not incur the same freight or other import costs as importers, and have shorter lead times to fill orders.

3.6 Further, to the extent there has been a recent increase in imported carpet to New Zealand, this has predominantly come from importers of synthetic carpet, as acknowledged in the Clearance Application at [99]. While the Application asserts that imported carpets comprise 50% of the "total wholesale market", our client expects that imports make up a much smaller share of the market for the import/manufacture and wholesale supply of wool carpet.

3.7 As the merged entity will be the largest acquirer of wool for wool carpets from New Zealand wool producers, the Proposed Transaction is likely to increase Mohawk's/Godfrey Hirst's existing buying power in negotiations with raw wool suppliers. This increase in the merged entity's buying power would allow it to extract more favourable purchasing terms and prices from New Zealand wool suppliers which could make it more difficult for importers who manufacture carpets using New Zealand wool to compete with the merged entity.

3.8 Finally, our client does not agree that retail buying groups would have countervailing power sufficient to constrain the merged entity. Retailers could not easily switch from the merged entity to imported products or sponsor new entry as these retailers (even through the combined power of their buying groups) could not risk losing Godfrey Hirst as a supplier in New Zealand given its size. To the extent that any of these groups have any limited countervailing power currently, it is likely this will be lost through the Proposed Transaction which removes Bremworth as the main other New Zealand manufacturer of wool carpets.

4. Confidentiality and further questions

4.1 Confidentiality is requested of the information in this submission that is highlighted in yellow and contained in square brackets, on the basis that disclosure would be likely to unreasonably prejudice the commercial position of our client. Please advise us if a request is made to the Commission under the Official Information Act 1982 for release of the information for which confidentiality has been claimed.

4.2 Please let us know if you have any questions or would like to discuss this submission.

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