

Confidential Submission to the New Zealand Commerce Commission

Subject: Mohawk Industries / Godfrey Hirst Proposed Acquisition of Bremworth Limited

Date: January 29th 2026

1. Introduction

We appreciate the opportunity to submit our views on the proposed acquisition of Bremworth Limited by Mohawk Industries (Godfrey Hirst). As a long-standing New Zealand supplier of specialised inputs used in carpet manufacturing, we have a direct interest in the competitive structure and long-term viability of the domestic carpet industry. We also submit on behalf of other local service providers who support these manufacturers, as any consolidation or closure of production facilities will materially affect the wider ecosystem of SMEs that rely on these operations.

As a New Zealand SME supplying specialised inputs to domestic carpet manufacturers, we are part of the broader industrial network that depends on a competitive and resilient manufacturing base. Consolidation of production or procurement would directly affect not only our business but the viability of many other local suppliers and service providers.

We oppose the proposed merger on the grounds that it would substantially and permanently lessen competition, reduce domestic manufacturing capability, and materially harm New Zealand-based suppliers, service providers, and regional economies.

2. Impact on Competition and Market Structure

We agree with the concerns raised by other submitters to the Statement of Preliminary Issues that the merger is effectively a 2-to-1 consolidation of New Zealand's only major wool carpet manufacturers. The removal of Bremworth as an independent competitor would:

- Reduce competitive tension in both wool and synthetic carpet categories
- Increase the merged entity's ability to raise prices and reduce product variety
- Strengthen Mohawk's already significant bargaining power with retailers and distributors
- Limit the ability of alternative suppliers to access retail channels

The merged entity's projected market share of 60–70% (a figure we believe is conservative based on industry knowledge) across key carpet categories would give it unprecedented influence over the direction of the industry. This type of vertical integration further increases the risk of foreclosure, as the merged entity would have both the incentive and ability to preference its own offshore supply chain over local suppliers.

3. Impact on Local Manufacturing and Supply Chains

As a supplier of essential inputs to New Zealand carpet manufacturing, we are particularly concerned about the merger's impact on local supply chains and the broader manufacturing ecosystem.

3.1 Mohawk's Existing Practice of Importing Dyes and Chemicals

Mohawk/Godfrey Hirst already operates under a global procurement model that prioritises direct importation of dyes, chemicals, and other inputs from its offshore supply network. If the merger proceeds, we expect this model to be extended to Bremworth's operations, resulting in:

- Displacement of New Zealand SME suppliers
- Loss of local business relationships built over decades
- Reduced resilience in the domestic supply chain
- Increased reliance on offshore inputs with longer lead times and higher environmental impact
- Consolidation or closure of local plants and associated service roles

This would materially reduce the volume of business available to New Zealand suppliers of dyes, chemicals, processing additives, engineering services, and other specialised inputs. Many SMEs rely on Bremworth as a key customer and do not have the scale to absorb a sudden loss of demand.

3.2 Risk of Offshoring Production

Submitters have already raised concerns that the merged entity could negatively impact local manufacturing through rationalisation or even shift production offshore. If this occurs, the impact on local suppliers would be severe:

- Loss of demand for NZ-supplied products
- Reduction in domestic manufacturing capability
- Weakening of regional employment, particularly in communities reliant on Bremworth and Godfrey Hirst operations
- Loss of technical collaboration between local suppliers and manufacturers
- Reduced innovation in New Zealand specific colours, textures, and wool treatments

Offshoring production of yarns, carpets, and materials would remove significant economic activity from New Zealand and weaken the domestic manufacturing ecosystem that supports the carpet industry.

4. Reduced Domestic Research and Development – Innovation and NZ-Specific Product Development

The merger could undermine local innovation, as Mohawk's global rationalisation practices may prioritise standardised products over New Zealand specific design, colour, and sustainability initiatives.

Bremworth has historically collaborated with local suppliers to develop:

- NZ specific dye palettes, textures, and wool treatments
- Wool-friendly chemical treatments
- Low-impact and sustainable processing solutions

Mohawk's globalised procurement and product-standardisation model is unlikely to maintain this level of local innovation. This would reduce:

- NZ-specific colour development
- Wool-focused chemical innovation
- Sustainability initiatives aligned with NZ's strong-wool sector

Loss of local R&D capability would erode technical expertise that cannot easily be rebuilt once displaced.

5. Counterfactual Considerations

We agree with other submitters that Bremworth is not a failing firm. Its recent changes in leadership, re-entry into synthetic carpet production and ongoing rebuild of the Awatoto plant after the February 2023 floods, plus its strong balance sheet, indicate that:

- It remains a viable competitor
- It has credible turnaround prospects
- Alternative buyers could preserve competition and local manufacturing

The Commission's failing-firm criteria require evidence that no alternative buyer exists. Based on industry knowledge, this threshold is not met. A more competitive counterfactual exists than the one proposed by Mohawk

6. Impact on the Strong-Wool Economy

Bremworth's operations in wool and re-entry into Solution dyed Nylon (SDN) carpet production support New Zealand's strong wool industry. The merger would consolidate demand for strong wool, potentially affecting grower returns and limiting alternative uses for New Zealand wool.

Bremworth is one of the largest and most consistent purchasers of NZ strong wool through its partner ELCO Direct. Reducing two major buyers to one would give Mohawk disproportionate purchasing power, enabling it to dictate terms and exert downward pressure on farm-gate prices.

This creates a classic **monopsony risk**, where one buyer can push prices down, resulting in:

- Reduced competition for strong wool
- Greater buyer power for Mohawk
- Accelerated decline across shearing, brokering, scouring, and regional employment

Strong wool is already under severe economic pressure, having only recently shown signs of a recovery after a prolonged slump. Removing one of its largest domestic buyers would have significant consequences for rural communities and the broader wool-processing ecosystem.

7. Wider Considerations

Bremworth, as a New Zealand company, has a strong brand presence and reputation in the domestic market. The merger would create a dominant supplier with substantial market power, making it extremely difficult for new competitors to enter the market. A good example of the consequences of extreme market concentration is Winstone Wallboards in the building-products category, whereby their market dominance can create systemic vulnerabilities, making it difficult for competitors to enter the New Zealand market and limit consumer choice.

8. Conclusion

From the perspective of a New Zealand SME supplier and on behalf of the wider ecosystem of local service providers, the proposed merger presents clear and significant risks:

- Loss of a major domestic customer
- Replacement of local suppliers with imported inputs
- Reduced resilience and diversity in New Zealand's manufacturing supply chain
- Increased market dominance by a global entity with limited commitment to NZ-based sourcing
- Loss of services provided by local SMEs, affecting their long-term viability
- Long-term harm to the wool carpet industry and the strong wool economy
- A dramatic reduction in competition and consumer choice

These impacts are not isolated commercial effects — they represent a structural weakening of New Zealand's economic resilience, manufacturing capability, regional employment, and the strong wool sector. Allowing this level of concentration would increase systemic risk in a critical market and undermine national efforts to rebuild the strong-wool economy.

For these reasons, and consistent with the Commission's mandate to prevent a substantial lessening of competition, we respectfully submit that clearance for this acquisition should be declined.

We request that my name as the submitter and the company name are redacted in any shared or published version of this submission.