

Confidential Submission to the New Zealand Commerce Commission

Mohawk Industries / Godfrey Hirst Proposed Acquisition of Bremworth Limited

Date: 29 April 2026

1. Introduction

Further to our earlier submission dated 29 April 2026 on the proposed acquisition of Bremworth Limited by Mohawk Industries (Godfrey Hirst), we welcome the opportunity to provide a further submission in response to the Commerce Commission's Statement of Unresolved Issues (SoUI) dated 14 April 2026.

We confirm that **our original submission remains fully applicable**, and all points raised in that document continue to stand. Nothing presented to date materially changes our position or the concerns previously outlined. We therefore do not restate those points in full, but instead provide **additional information directly addressing the unresolved issues identified in the SoUI**.

As a long-standing New Zealand supplier to the textile and carpet-manufacturing sector, we have a direct interest in the competitive structure and long-term viability of the domestic carpet industry. We remain opposed to 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.

The SoUI states:

- **Point 2:** "To grant clearance for the Proposed Acquisition, we must be satisfied that it will not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand."
- **Point 8:** "We are not currently satisfied that the Proposed Acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in a market in New Zealand."

We agree with the Commission's assessment. In our view, **no credible argument can be made** that this acquisition would avoid a substantial lessening of competition. The evidence overwhelmingly points in the opposite direction.

2. The Merger Would Substantially Lessen Competition in New Zealand

As noted in our earlier submission, this merger is effectively a **2-to-1 consolidation** of New Zealand's only major wool-carpet manufacturers. The Commission's SoUI confirms that:

- The Parties are **each other's closest competitors**
- They are the **two largest suppliers** of carpet in New Zealand
- They are particularly dominant in **wool carpet**, a significant section of the market
- Bremworth's recommencement of synthetic carpet production makes them **even closer competitors**

The removal of Bremworth would leave **no New Zealand-based competitor** capable of producing wool carpet at scale. This is not merely a substantial lessening of competition — it is the **elimination of domestic competition** in wool carpet manufacturing.

A 2-to-1 merger cannot satisfy the Commission’s statutory test. The merged entity would have the ability and incentive to:

- Increase prices
- Reduce quality and innovation
- Reduce product variety
- Prioritise its own offshore supply chain
- Foreclose local suppliers and service providers

The SoUI also notes that **imported wool carpet provides minimal competitive constraint**, and that importers would need to expand significantly to constrain the merged entity. We agree with the Commission’s assessment and expand on this below.

Bremworth and Godfrey Hirst are the only two carpet manufacturers in New Zealand with wool-spinning and fibre-processing capability. Both companies operate the full chain of wool processing required for broadloom wool carpet — including scouring partnerships, spinning, dyeing, and tufting. No other New Zealand manufacturer has this capability, according to our research. Carpet Mill, the only other domestic carpet producer of scale, manufactures only synthetic carpet and imports all yarn. If Carpet Mill were to attempt wool-carpet production, it would need to import all wool yarn, meaning it could not replicate or replace the domestic wool-processing capability currently held by Bremworth and Godfrey Hirst.

The merger would therefore eliminate **New Zealand’s only two wool-processing manufacturers**, leaving no domestic competitor capable of producing wool carpet from New Zealand strong wool. This is a permanent structural loss that importers cannot replace.

3. Competition in the Flooring Market and Consumer Demand

We acknowledge that we are not flooring wholesalers; however, we have extensive experience supplying the textile and carpet-manufacturing sector. Based on industry discussions and the Commission’s own findings:

- Demand for wool carpet is **increasing**, driven by sustainability and environmental considerations
- The New Zealand Government has mandated the use of woollen fibres in government buildings
- Wool carpet remains a **significant section** of the soft-flooring market (20–25% of sales, \$60–\$70m annually)
- Wool carpet sales have **grown** from FY21 to FY24, while synthetic carpet sales have declined

The SoUI asks whether wool carpet is a “significant section” of the market. Based on the above, the answer is unequivocally **yes**.

The SoUI also asks whether consumers view synthetic carpet — even high-quality SDN — as a substitute for wool. Industry feedback suggests **no**. Wool and synthetic carpets serve different

consumer segments, with wool chosen for sustainability, natural fibre properties, and premium positioning.

This reinforces the Commission's concern that the merged entity would face **limited constraint** in wool carpet.

4. Import Competition and the Inability of Importers to Expand

The SoUI raises several questions about whether importers could expand sufficiently to constrain the merged entity. Based on our industry knowledge:

4.1 Wool carpet imports are not competitive

- Freight costs, bulk volume, and handling requirements make wool carpet expensive to import
- Imported wool carpets are typically **hand-woven rugs**, not broadloom carpet
- Overseas manufacturers do not produce wool carpets tailored to NZ consumer preferences
- Imported wool carpets do not meet NZ's specific colour, texture, and performance expectations

4.2 Importers cannot scale to replace Bremworth

The SoUI notes that importers would need to expand "significantly" to constrain the merged entity. We agree this is **not realistic**, because:

- No importer has NZ-specific wool-processing capability
- No importer has NZ-specific dyeing or finishing capability
- No importer has the distribution scale to replace Bremworth
- Importers cannot match the responsiveness required for NZ's wool-carpet market

4.3 Vertical integration increases foreclosure risk

Mohawk's global procurement model prioritises:

- Imported dyes
- Imported chemicals
- Imported yarn

This would **displace New Zealand suppliers**, including SMEs, and reduce supply-chain resilience.

5. Future Foreclosures and Loss of Domestic Manufacturing

The SoUI asks whether the merged entity would have the incentive to consolidate or close NZ operations. Based on historical evidence, the answer is **yes**.

We want to first highlight Godfrey Hirst's own track record in New Zealand. After the Godfrey Hirst (Australia) takeover of Feltex Carpets, multiple New Zealand manufacturing operations were consolidated or closed, including parts of the Lower Hutt and Foxton operations. With production consolidated across the Tasman.

To highlight other examples of well-known New Zealand companies/brands that have been purchased by overseas owners and later have had their NZ operations shut down or significantly downsized.

- **Wattie's (acquired by Heinz → now Kraft Heinz)**
Wattie's was founded in Hawke's Bay and became one of NZ's most iconic food manufacturers. After acquisition by Heinz (later Kraft Heinz), the company announced major NZ site closures:
 - Closure of manufacturing sites in **Christchurch, Dunedin, and Auckland**.
Wattie's continues to operate in Hastings, but the closures represent one of NZ's most significant examples of post-acquisition downsizing.
- **Kinleith → Oji Fibre Solutions**, a subsidiary of **Oji Holdings (Japan)**, one of the world's largest pulp and paper companies.
 - **2024:** Penrose Paper Recycling Mill (Auckland):
 - **2025:** Closure of the last paper machine at Kinleith.
 - Oji shifts to **importing paper** for NZ packaging production.
- **Fisher & Paykel Appliances → Haier (China)**
 - NZ manufacturing plants in **Dunedin** and **Mosgiel** were closed after the takeover.
- **Cadbury (originally NZ-owned, later part of Mondelez International)**
 - Dunedin factory closed in 2018.
 - Production moved to Australia and other global plants.
- **Solid Energy assets → Bathurst Resources (Australia)**
 - After the acquisition of key assets, several NZ operations were wound down or closed, including mines on the West Coast and in Waikato.
- **NZ Steel's wire business → sold to Australian/US owners**
 - The Pacific Steel rolling mill in Otahuhu was closed after acquisition and restructuring.

These examples demonstrate a clear pattern: **Foreign acquirers frequently consolidate or close NZ manufacturing operations.**

Mohawk, as the world's largest flooring manufacturer, has:

- No strategic need to maintain NZ manufacturing
- Strong incentives to consolidate production offshore
- A global supply chain that bypasses NZ suppliers

The closure of Bremworth's NZ operations would:

- Remove a major buyer of strong wool
- Reduce demand for NZ-supplied dyes, chemicals, and services
- Harm regional employment
- Reduce NZ's manufacturing capability
- Undermine the strong-wool sector

This aligns with the Commission's concerns in the SoUI.

6. Additional Responses to Specific SoUI Questions

6.1 Is wool carpet a significant section of the market?

Yes. The Commission's own data shows wool carpet is 20–25% of soft-flooring sales and growing. It is also strategically significant due to sustainability, government mandates, and NZ's strong-wool sector.

6.2 Would consumers switch to synthetic carpet if wool prices rose?

Industry feedback indicates **no**. Wool and synthetic carpets serve different consumer segments and are seen by some as unsustainable.

6.3 Would importers expand sufficiently to constrain the merged entity?

No. Importers lack scale, capability, and NZ-specific product alignment.

6.4 Would retailers have countervailing power?

No. The SoUI confirms retailers lack bargaining power, especially in wool carpet.

6.5 Would the merged entity have the ability and incentive to foreclose local suppliers?

Yes. Mohawk's global procurement model already bypasses NZ suppliers.

7. Conclusion

Based on the evidence presented in our original submission and the additional information provided in response to the SoUI, we remain firmly of the view that the proposed acquisition would:

- Substantially lessen competition in the New Zealand soft-flooring market
- Eliminate domestic competition in wool carpet manufacturing
- Removal of New Zealand's only other carpet manufacturer capable of yarn spinning and fibre processing.
- Reduce product quality, innovation, and consumer choice
- Displace New Zealand suppliers through offshore procurement
- Increase systemic risk in the supply chain
- Undermine regional employment and domestic manufacturing capability
- Harm the strong-wool sector through reduced demand and monopsony power
- Create a dominant supplier with both the incentive and ability to foreclose competitors and suppliers

These impacts are not isolated commercial effects — they represent a **structural weakening of New Zealand's manufacturing base, supply-chain resilience, and strong-wool economy.**

For these reasons, and consistent with the Commission's statutory duty to prevent a substantial lessening of competition, we respectfully submit that **clearance should be declined.**

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