

**Mohawk Industries, Inc/Godfrey Hirst New Zealand Limited**  
and  
**Bremworth Limited**

## **APPLICATION FOR CLEARANCE**

***Submission on the Statement of Issues (SOI)***  
***- on behalf of interested parties***

2 February 2026

## SUBMISSION

1. Our clients agree that the Commission cannot, on the evidence, be “*satisfied that the Proposed Acquisition will not have, or would not be likely to have, the effect of substantially lessening competition in one or more relevant markets*” (SOI para 6<sup>1</sup>).

### Our clients agree with the Commission’s concerns that...

2. There would be “**unilateral effects**, enabling the merged to profitably increase carpet prices charged to retailers (and end-customers) above the level that would prevail without the Proposed Acquisition, or decrease the quality of service below the level that would prevail absent the Proposed Acquisition.” (SOI para 9)
3. Further, the lessening of competition between Godfrey Hirst and Bremworth “would adversely affect a significant section of the soft flooring market” and/or that the lessening of competition “**would be enough to amount to a substantial lessening of competition**” (SOI para 11). As the Court of Appeal held in *NZ Bus v Commerce Commission* [2007] NZCA 502, the “substantial lessening of competition test...is a low one. “Substantial” is defined in s 2(1A) as “real or of substance”, with the consequence that **any lessening of competition which is more than illusory or transitory is caught ....**”. (at [270])
4. A “framework involving chains of substitution may not properly focus on the closeness of substitution and may result in the inclusion of distant substitutes.” (SOI footnote 27) and “in markets that are already concentrated, a smaller change in competition with a merger may amount to a substantial lessening of competition than would be the case in markets that are less concentrated....” (para 23), noting the Court of Appeal comments above.
5. It is “not satisfied that the Proposed Acquisition would not substantially lessen competition due to **conglomerate (or portfolio) effects** in one or more relevant markets, impacting the balance of negotiating power between Mohawk (through Godfrey Hirst and Floorscape) and its customers, and/or enabling Mohawk (through Godfrey Hirst and Floorscape) to foreclose its competitors.” That this could be through the merged entity’s strengthened negotiating position with retailers in the supply of soft and/or hard flooring; and increasing barriers for other suppliers by limiting access to retail floor space (a function of the “must have” nature of the brands) (para 11).
6. It “cannot exclude the real chance that, absent the Proposed acquisition, Bremworth would continue as a going concern and compete, in some form, with Godfrey Hirst in the supply of wool and synthetic carpet”. (Conversely, granting clearance would permanently change market structure, removing the option of a more competitive counterfactual.)

### Areas our clients submit need greater scrutiny

7. Our clients accept the product and geographic market definition (“*manufacture or import and wholesale supply of soft floorings*” in New Zealand) but the Commission should consider if there are separate markets for different customers (cf. SOI para 7).

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<sup>1</sup> [Godfrey-Hirst-and-Bremworth-Statement-of-Issues-23-December-2025.pdf](#)

8. The Commission may have incorrectly dismissed vertical concerns. Most obviously, not considering Flooring Foundation Limited (owned by Godfrey Hirst) which appears to *sponsor and / or control*<sup>2</sup> a reseller network.

## KEY POINTS

9. Our clients appreciate that the burden remains on the applicant to **satisfy the Commission that the proposal will not have, or be likely to have, the effect of substantially lessening competition. Further, that as an investigatory body, Commission staff will continue to conduct their own investigations and rigorously test the evidence and arguments put to them.**
10. This submission seeks to provide comments and evidence on the questions raised by the Commission, but it has been limited by resource and time constraints.

### To contextualise the comments below our clients submit:

11. **Woollen carpets have distinctive characteristics and are a “must have” product for a material portion of consumers**, who do not regard synthetic carpets as a good substitute for woollen carpets. Woollen carpets seem to be a growing segment, and this can be expected to continue due to environmental and related concerns.
12. There is **strong competition between Mohawk /Godfrey Hirst and Bremworth in the supply of woollen carpets in New Zealand**. They are clearly each other's closest competitors in this critical segment and likely to remain so. They have comparable product ranges and pricing, and both have strong brands - Godfrey Hirst, Feltex, Bremworth and Cavalier. It is believed that **pricing is currently competitive in this segment, below import parity pricing**. While Bremworth's exit from supply and manufacture of synthetic carpets was, with the benefit of hindsight, a tactical error, it generally remained a strong competitor in the supply of woollen carpets over that period. Wools of NZ and other importers must be considered niche/fringe competitors in the supply of woollen carpets. Other jurisdictions' woollen carpets and other types of carpets of lack some of the functional characteristics of New Zealand woollen carpets and so cannot be considered close substitutes.
13. Historically (pre-2020) Mohawk /Godfrey Hirst and Bremworth were each other's closest competitors in the supply of synthetic carpets. Bremworth re-entered synthetic/SDN production in 2025, restoring competition in synthetic. **They are expected to be each other's closest competitors in the supply of synthetic carpets in the near future.**
14. However the period 2000-2025 is obviously not a good predictor of the competitive constraint that Bremworth is likely to place on Mohawk /Godfrey Hirst in relation to synthetic carpets, as Bremworth was not a participant in this supply. It seems that **in this period synthetic carpet may have been priced up to import parity levels**, so imports increased to fill that gap. It is accepted that imported synthetic carpets can be a strong competitive constraint for some synthetic carpets when domestic pricing is up to those import parity levels. However, **imports will not have the range, nor will they match NZ style preferences as well, and they add lead times, carrying costs (particularly with inflation and interest rate uncertainty), and carry**

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<sup>2</sup> See [Cowes-Bay-Group-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-12-November-2025.pdf](https://www.cowes-bay-group.com/assets/2025/11/Cowes-Bay-Group-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-12-November-2025.pdf) at para 6(c)(ii): “we believe it is highly likely the Godfrey Hirst **sponsored/controlled** retail buying group The Flooring Foundation will be further expanded through the addition of [current] Bremworth dedicated customers, further entrenching Godfrey Hirst's dominant position and excluding other suppliers from that retail distribution channel”. Please note that most highlighting in quotes in this submission is by us to highlight language, although we have not noted “emphasis added”.

**greater risks, especially in times of global uncertainty.** We expect Commission staff will closely consider these costs and risks of imports. (As an important aside, Commission staff's calculations of import competition will obviously need to remove imports by the merging parties and account for any supply by them (including by their parent companies) through other channels.)

15. Clearly there had been a growing level of imports prior to this. But it seems that these can best be prioritised as occurring at the lower value end of the supply chain, and they appeared to plateau prior to Bremworth's market exit. As the Commission has confirmed, carpet is a highly differentiated product market. It seems both that NZ may have hit "peak" imports in the niche/segments where synthetic carpets are a competitive constraint; and our clients consider that imports of synthetic carpets may now reduce *on a forward-looking basis*, with Bremworth as a domestic supplier. It seems telling that there does not appear to be any focus on the *brands of imports* but rather they are treated as a *generic / homogeneous group*. This must be contrasted with the strong brands and differentiation of the domestic producers.
16. There are production efficiencies (economies of scope) in manufacturing both wool and synthetic carpet; as well as portfolio effects (economies of scope in selling a variety carpets). Both Mohawk/Godfrey and Bremworth must-have brands.
17. If, as has been submitted, buying groups had a level of market power we would expect them to be able to negotiate the "best terms" to reflect sale and purchase efficiencies. This does not appear to have been the case. That has at least a few ramifications:
  - a. larger resellers, which may be expected to have economies of scale and scope (ie greater efficiency), may not be obtaining the best prices to pass on to consumers;
  - b. if the merger proceeded, we could expect pricing for woollen carpets to increase, potentially materially above import parity prices, given that offshore carpets in the niche players would not be strong functional substitutes for the merged entity's carpets;
  - c. pricing for synthetic carpets would either tend back to or remain priced up to import parity;
  - d. given the similarity of products between the parties, commercial commonsense and experience indicate that range production could then be expected (ie reduced choice for consumers).
18. Taken together, these factors indicate a material risk that the acquisition would lessen competition, restrict consumer choice, and concentrate control of critical capabilities in a single market participant.

## A MARKET DEFINITION

### (1) Product dimension (para 57)

*information and/or data that illustrates how much of the carpet volumes supplied in New Zealand are wool carpets versus synthetic carpets*

19. It is surprising that this information has not yet been provided to the Commission.
20. This is, however, information we expect the Commission to obtain through its enquiries.
21. We note that some data is presented later in this submission, sourced from a publicly available report provided to the Commission.<sup>3</sup>

*information and/or data that illustrates any trends related to the supply of wool carpets and synthetic carpets in New Zealand*

22. A better question may be to ask about consumer preferences, and expectations about future demand. There seems an acknowledged shift to demand for sustainability, with wool's functional characteristics (benefits) being seen as strong.

- a. As noted in November 2020 by Godfrey Hirst's general manager Andre May:<sup>4</sup>

*"... people are looking to more sustainable fibres, more natural fibres, possibly more than they have historically and so there's a natural interest growing in that respect as well," he said.*

*Interest is also coming from larger purchasers of carpets, including government departments although for commercial reasons he would not expand on that, but he said group home builders are also more in the market.*

*"Private commercial entities that would build multiple dwellings as part of their business we are seeing them now ask for ranges not only of synthetic products but also for ranges in a kind of good, better, best, format for wool as well," May said."*

- b. Broader context can be seen in the *New Zealand Wool Market Report Size Share Growth Drivers Trends Opportunities & Forecast 2025–2030*<sup>5</sup> which observed:

*"The New Zealand Wool Market is valued at USD 1 billion, based on a five-year historical analysis. This growth is primarily driven by the increasing demand for sustainable and natural fibers in the textile industry, alongside a rise in global consumer awareness regarding the benefits of wool, such as its biodegradability and thermal properties.*

*...  
Home Textiles, including carpets and upholstery, also contribute significantly to the market, driven by the growing trend of eco-friendly home decor."*

- c. Similarly *New Zealand Carpets and Rugs Market Outlook to 2026 and 2033: Key Drivers, Challenges, and Emerging Opportunities* Digital Trends Analyzer December 31, 2025, noted:<sup>6</sup>

<sup>3</sup> [LINK Economics report](#)

<sup>4</sup> <https://www.rnz.co.nz/news/business/430980/demand-up-for-nz-made-wool-carpets> 19 November 2020

<sup>5</sup> [New Zealand Wool Market | 2019 – 2030 | Ken Research](#)

<sup>6</sup> <https://www.linkedin.com/pulse/new-zealand-carpets-rugs-market-outlook-2026-2033-8raxf/>

*"The New Zealand carpets and rugs market is currently shaped by several significant developments, primarily **driven by shifting consumer preferences** and advancements in manufacturing. There's a **notable surge in demand for sustainable and eco-friendly products**, pushing manufacturers towards recycled materials and greener production processes."*

d. So too, in *JUST IN: Top 5 Carpet Trends for 2024*<sup>7</sup>

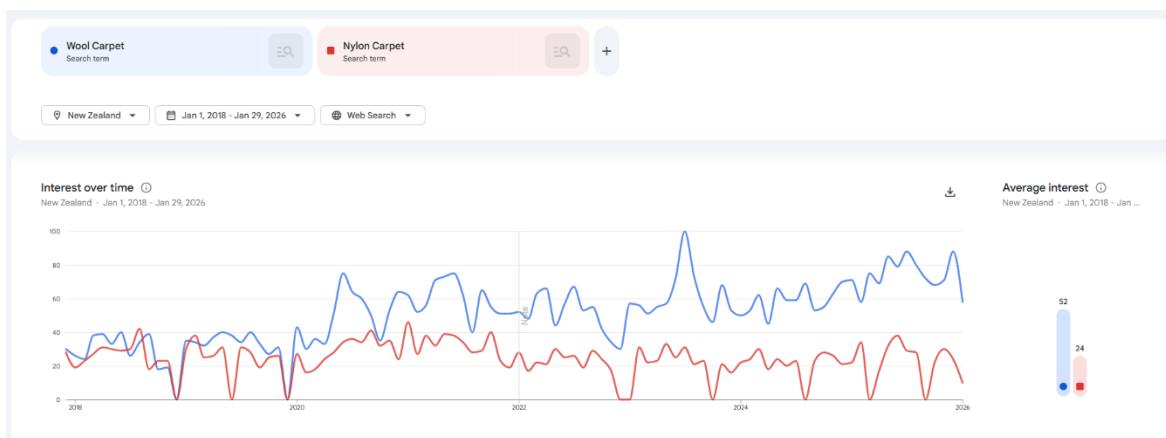
***"Sustainability at the Forefront***

*In 2024, the **trend towards sustainability continues to grow stronger**, with more Kiwis seeking out eco-friendly carpet options that don't compromise on style or durability. Carpets made from **natural, renewable materials like wool, sisal, and jute are in high demand**, reflecting New Zealanders' growing commitment to protecting our beautiful environment. These carpets not only add warmth and texture to your home but also boast a lower environmental footprint, making them a top pick for eco-conscious homeowners."*

23. Internet search activity results are consistent with this view of a shift to natural (wool) carpets.

**Table A:** Time-series chart of Google search trends for 2 search terms (1 Jan 2018 - 29 Jan 2026).<sup>8</sup>

a. Google searches in NZ for "Wool Carpet"; and  
b. Google searches in NZ or "Nylon Carpet"



24. This data indicates that:

a. Searches for "wool carpet" have increased substantially over this period - more than 200-250%, indicating an increasing level of preference for wool carpets among NZ consumers.  
b. Searches for "nylon carpet" have not increased over the same period, potentially even declined - showing that there is less preference and less loyalty within this product category from consumers

25. This appears to support the view that consumers are "hard to switch" from wool to synthetic, ie if consumers prefer wool, then they tend to stay within the wool category.

<sup>7</sup> <https://www.carpetme.co.nz/post/just-in-top-5-carpet-trends-for-2024> Updated: Oct 14, 2025

<sup>8</sup> Search conducted by a client on basis outlined above. We are advised that this dataset is publicly available through the "Google Trends" app / features understand there was an improved data collection system change applied in January 2022 which is marked on the chart.

*the extent to which end-customers consider different carpet products to be close substitutes for one another across the spectrum of carpet products, fibre types and price points*

26. Suppliers clearly think so and differentiate wool carpets from other carpets by its functional characteristics. For example:<sup>9</sup>

*"Wool carpets have set the standards for carpet over many years, and whilst synthetic carpets have gained popularity in recent years, **wool is making a comeback**, for several reasons.*

- *The structure of woollen fibres is naturally stain resistant and slow to absorb moisture, qualities that make it easy to clean*
- *Because wool is natural it is eco-friendly and biodegradable and wool fibres require a lot less energy to produce than synthetic fibres*
- *Resisting the growth of irritants like bacteria, moulds and mildew, wool also traps potential allergens, removing them from the air you breathe*
- *Wool is a natural insulator, meaning it can absorb moisture without becoming wet to touch, thereby reducing the dampness in the air and making your home drier and healthier. It helps keep rooms warmer in the winter and cooler in the summer*
- *The acoustic properties of wool help keep rooms quieter by absorbing airborne noise and reducing its transmission through floors*
- *Wool will not readily melt or burn when exposed to heat or flames."*

27. Another example is Godfrey Hirst's page dedicated to **Wool Carpet**<sup>10</sup> highlighting its functional strengths:



#### **Wonders in Wool**

The natural beauty of wool stems from the inherent complexity of the fibre itself, evolved to protect sheep, no matter the conditions! That's why we still wear wool, sleep with wool, insulate with wool and enjoy walking on wool.

 Request a Sample

 7 nearby stores



#### **Natural Insulation and Humidity Control**

Wool carpet is a natural insulator, helping to keep your home warm in winter and cool in summer. Because of wool's natural inbuilt crimp, air is retained in millions of tiny pockets which provide an insulating effect; thus creating a comfortable environment.



#### **Hypoallergenic**

Wool carpet is ideal for allergy and asthma sufferers as it does not promote the growth of bacteria, mould and mildew. This reduces the likelihood of spores, mycotoxins and volatile organic compounds from developing in the home, helping to prevent allergies and respiratory problems. Wool fibre also deters the growth of dust mites - the most common single cause of asthma.



#### **Biodegradable fibre**

As a natural resource, wool fibre is biodegradable. When wool fibre is disposed of, it will naturally decompose in soil in a matter of months or years, slowly releasing valuable nutrients back into the earth.

<sup>9</sup> <https://johnjarviscarpets.co.nz/choosing-the-right-carpet-synthetic-vs-wool/>

<sup>10</sup> <https://www.godfreyhirst.com/nz/product-types/wool-carpet>

28. It goes on to provide a YouTube video “*farm to floor : OUR WOOL CARPET STORY*”, then it lists 10 Wool Carpet products, each of which appears to be available in 8 colours<sup>11</sup> :

- a. *Tundra Plains* wool carpet;
- b. *Twyne* wool carpet;
- c. *Lambton Quay* wool carpet;
- d. *Pebble Grid II* wool carpet;
- e. *Ben Avon* wool carpet;
- f. *Enchant* wool carpet;
- g. *Enchant 48* wool carpet;
- h. *Grand Luxury* wool carpet;
- i. *Tussock* wool carpet;
- j. *Ravine* wool carpet.

29. The above suggest significant differentiation, even within the wool category. We expect Commission staff investigations will give it the information needed to assess this properly.

30. The webpage offers three other carpet types:

- a. Triexta: “*...a high performing, partially plant-based carpet fibre with superior built in stain resistance and durability.*”<sup>12</sup>
- b. Solution Dyed Nylon: “*Tough, durable and fade resistant, solution dyed nylon carpet had added stain resistance making it suited to busy homes.*”<sup>13</sup>
- c. Polyester: “*... an affordable synthetic fibre with a soft and lustrous texture.*”<sup>14</sup>

*evidence that indicates, or would enable an estimate of, the proportion of end-customers that do not consider different carpet products to be substitutable (for example, the proportion of end-customers who would only ever purchase wool carpet)*

31. While it may be challenging to get firm data on this, some public data shows a large cohort (over half of purchasers) may prefer wool and are likely to repurchase wool, which may be strong evidence of less than complete substitutability. For example:

- a. From Rural News (2022): “*In the last six months, we have seen consumers consistently walking into our stores asking specifically for carpets made from wool.*”<sup>15</sup>

<sup>11</sup> [Wool Carpet – Godfrey Hirst Residential Carpet Search](#)

<sup>12</sup> [Triexta Carpet – Godfrey Hirst Residential Carpet Search](#)

<sup>13</sup> [Solution Dyed Nylon Carpet – Godfrey Hirst Residential Carpet Search](#)

<sup>14</sup> [Polyester Carpet – Godfrey Hirst Residential Carpet Search](#)

<sup>15</sup> [Increasing consumer demand for wool carpet](#)

b. From the *Campaign for Wool (NZ) Category Fact Sheet (Flooring)*:<sup>16</sup>

- 38% of NZ consumers purchased carpets/rugs in the last 3 years.
- 55% of those purchasers bought wool or wool-blend products.
- 41% of non-purchasers considered wool during the purchase journey.
- 70% say they will buy woollen carpets/rugs again.

32. Publicly available evidence suggests strong and growing wool carpet demand. The Rural News article above quotes Wools of New Zealand as saying that retail partners observed a 50% rise in wool carpet sales, and consumers were “specifically asking” for wool.<sup>17</sup> Similarly OneRoof / NZ Herald (2020) also noted in an article (*Sustainability drives carpet demand*) with a subheading “*Homeowners are increasingly choosing woollen carpets to reduce their footprint*” quoting a retailer group CEO as saying “*In the last six months, we have seen consumers consistently walking into our stores asking specifically for carpets made from wool.*”<sup>18</sup>

33. So it seems that public evidence supports the view that a substantial consumer segment (potentially in the range of at least 40–55% of purchasers) hold strong fibre-specific preferences and frequently seek wool carpets as a distinct, non-substitutable product type.

*the extent to which imported wool carpet products are considered a close substitute for locally manufactured wool carpet products, and if so, which wool carpet brands are most closely substitutable for Bremworth and Godfrey Hirst/Feltex branded wool carpet products.*

34. **Godfrey Hirst promotes the advantages of local supply in New Zealand Made Carpet:**<sup>19</sup>

*“Our local investment in people, manufacturing, warehousing and distribution provides total supply chain capability, ensuring quality control and consistency from product design, right through to delivery.*

...

*Through local design, manufacturing and distribution and sales offices across New Zealand, we provide locally based product support and our industry leading knowledgeable sales teams in both the North and South Islands. Our longstanding relationships with flooring retail channels, commercial contractors, architects and interior designers, allow us to supply to consumers throughout New Zealand with high quality NZ wool, synthetic and triexta carpets along with world class hard flooring solutions in hybrid, timber, laminate and vinyl.*

*Sustainability also remains at the core of our business. We actively seek out the highest standards in product design to minimise negative impacts on the environment at all stages of the product lifecycle. Local manufacturing is a top priority within our business to continue to provide the quality, consistency, flexibility and dependable local team to support your local business.*

*\*While most carpet ranges are made in New Zealand, some ranges distributed in NZ are being manufactured in Australia.”*

35. As noted by Link Economics:

*“Some customers will have a strong preference for NZ wool carpets, whether for sustainability reasons, for the purposes of supporting NZ’s farming sector, and/or a preference for the distinctive look and texture. Currently, the NZ government represents a large customer segment that has made a decision to give a strong preference to wool when procuring carpet.”<sup>16/20</sup> It is not clear how large this pool of customers*

<sup>16</sup> [CFW\\_FactSheets\\_NZ-2024.pdf](https://www.campaignforwool.nz/flooring-factsheet.pdf)

<sup>17</sup> [Increasing consumer demand for wool carpet](https://www.nzherald.co.nz/business/article.cfm?c_id=102&objectid=10245115)

<sup>18</sup> [Sustainability drives carpet demand, All things property, under OneRoof](https://www.oneroof.co.nz/sustainability-drives-carpet-demand-all-things-property-under-one-roof)

<sup>19</sup> <https://www.godfreyhirst.com/nz/news/new-zealand-made-carpet> (Authored date: 11/12/2021)

<sup>20</sup> Footnote [6]: *The government has issued a construction procurement guide that sets out an expectation that government agencies use woollen fibres where appropriate and practical in government buildings. It states that “This expectation applies to government owned buildings for new construction works with a maximum total estimated value of \$9 million and over and to refurbishments with a maximum total estimated value of \$100,000 and over.” The rationale includes providing*

*is and how trends, for example towards sustainable options, will evolve over time. However, given that mergers are permanent, assessments of ... competitive effects need to have regard to the long-term, .... Thus, it's quite conceivable that a market could develop for a particular carpet fibre (such as wool). At the very least, today NZ wool carpets appear to be an important submarket that could evolve into a separate market ... suggesting a need for careful evaluation of the impacts the merger would have on competition for that submarket."*<sup>21</sup>

36. In January 2025 Kainga Ora recalled its November 2025 carpet RFP, starting a new RFP allowing submissions from both wool and synthetic carpet suppliers. This indicates Kainga Ora (and by extension the NZ Government) does not perceive synthetic and wool carpets as substitutable. Later in 2025 Kainga Ora confirmed wool carpets would be used for new housing projects, meaning that **only wool carpets can be used for these projects**, further indicating wool carpet is separate and distinct from synthetic and some customers require wool carpets.<sup>22</sup>

## **Wool carpet to be used in new Kāinga Ora homes**

12 June 2025

Kāinga Ora will transition to using wool carpet in its new social housing.

It will also use wool carpet in existing homes if the whole house needs recarpeting, for example when renovating older properties.

The agency's decision to reintroduce wool carpet follows a recent Request for Proposal (RFP) inviting both wool and nylon carpet providers to tender for the supply of carpet and underlay in Kāinga Ora properties.

Chief Executive Matt Crockett says the new supply arrangements are the result of a robust procurement process that saw competitive pricing from the sector. This followed significant feedback from wool suppliers and the general public after the agency's initial RFP asked for bids from synthetic only suppliers

"As the country's largest social housing landlord, we're committed to investing in our housing stock in a financially sustainable way. The recent RFP was an opportunity for us to re-test market pricing, while ensuring the products used in our homes are fit-for-purpose, durable and represent value for money.

"For many years we didn't see competitive pricing from wool suppliers versus nylon. However, we listened to market and public feedback and decided we should give wool suppliers the opportunity to bid. We were pleasantly surprised to receive new bids that were price competitive. All credit to New Zealand wool suppliers for rising to the challenge."

Nylon carpet will continue to be used for single room or smaller patch repairs in existing homes where nylon carpet is already installed.

"In those circumstances it makes practical and economic sense to use the same product throughout the home," Mr Crockett says.

Kāinga Ora will transition to using wool carpet in its new homes from 1 July 2025, when the supply arrangements come into effect.

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*economic support to NZ's wool sector as well as sustainability and health benefits. Source: Ministry of Business, Innovation and Employment "Use of woollen fibres, where practical and appropriate, in government buildings."*

<https://www.procurement.govt.nz/assets/procurement-property/documents/woollen-fibres-where-practical-appropriate-government-buildings-construction-procurement-guide.pdf>

<sup>21</sup> [Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf](https://link-economics.com/assets/Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf)

<sup>22</sup> [https://kaingaora.govt.nz/en\\_NZ/news/wool-carpet-to-be-used-in-new-kainga-ora-homes/](https://kaingaora.govt.nz/en_NZ/news/wool-carpet-to-be-used-in-new-kainga-ora-homes/)

## A MARKET DEFINITION

### (2) Customer dimension (para 65)

*the extent to which existing suppliers are currently serving all potential wholesale customers and/or customer groups*

37. The Commission's inquiries should provide data / evidence on this.

*the ability of suppliers to serve all potential customer groups in the future, and over which time horizon*

38. The Commission's inquiries should provide data / evidence on this.

*the ability of the merged entity to price discriminate by charging different prices to particular wholesale customers and/or customer groups (such as flooring retailers)*

39. It has been submitted that this is already occurring. Removal of the main competitive tension could be expected to materially enhance that ability to discriminate.

*whether our proposed approach of not defining discrete customer dimensions, groups and/or segments would result in any material gaps in our assessment of the potential competitive effects of the Proposed Acquisition.*

40. It is submitted that this may warrant greater scrutiny. A more granular analysis may provide the Commission with a better understanding of competitive dynamics between the different customer segments. For example, as noted above, Kainga Ora (and by extension the NZ Government) prefers New Zealand woollen carpets. Mohawk/Godfrey Hirst and Bremworth were the largest and closest competitors for the provision of woollen carpets apply to Kainga Ora, as noted in the OIA Request referenced later in this submission. (Similarly, as noted in the earlier submission, and as quoted in this submission, specifiers appear to seek information on woollen carpets.)

41. Consistent with the Commission's observation that an analysis based on chains of substitution may not properly focus on closeness of substitutability, and may include distant substitutes, the ACCC merger guidelines reiterate that differentiated products should not be treated the same as undifferentiated; the constraint from a product with distinct features is weaker.<sup>23</sup> There would be concerns at any analysis which placed excessive weight on distant substitutes.

42. Relatedly, the analysis must also capture the vertical impact (which it is submitted the Commission should scrutinise more) and the conglomerate effects.

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<sup>23</sup> Australian Competition & Consumer Commission (ACCC) [Merger assessment guidelines](#) (June 2025)

## B COUNTERFACTUAL

### General (para 77)

*whether the most competitive likely counterfactual scenario is the status quo, with Bremworth continuing to operate as a going concern.*

43. Clearly the Commission is correct to adopt a status quo counterfactual.
44. However, Bremworth should be considered likely to be an entity with the economies of scale and scope it had pre-2020, when Bremworth manufactured and supplied a broad range of synthetic carpets including SDN and PET:
  - a. In September 2017 Cavalier Bremworth marketed and sold 75 separate carpet styles and ranges in New Zealand including wool and synthetic carpets.
  - b. By comparison as of October 2025 this had been reduced to 23 ranges, all of which are wool, a significant reduction in styles, designs and revenue
  - c. A counterfactual must assume that with the re-introduction of synthetic carpet production by Bremworth, that the number of styles and designs offered by Bremworth to retailers and wider consumers will increase.

## C UNILATERAL EFFECTS

### (1) Closeness of competition (para 107)

*how closely Godfrey Hirst and Bremworth compete and the extent of competition that would be lost with the Proposed Acquisition*

*whether any closeness of competition between Godfrey Hirst and Bremworth varies depending on any particular factor (such as price, quality, service, customer type, customer preference etc)*

*any evidence to show that Godfrey Hirst and Bremworth's closest competitors are, or are not, importers rather than each other*

*how Godfrey Hirst and Bremworth have competitively reacted to each other in the past including after price increases, quality decreases and/or supply shocks*

*internal pricing documents from Godfrey Hirst and Bremworth illustrating how they each set their prices across the spectrum of carpet products, and the extent to which their prices across of price/quality spectrum relate to one another (including any assessment of any pricing relationships across the spectrum of their differentiated carpet products)*

*internal documents from retailers illustrating how the pricing set by Godfrey Hirst and/or Bremworth compares across the spectrum of carpet products, and the extent to which Godfrey Hirst's and/or Bremworth's prices across the price/quality spectrum relate to one another*

*the extent to which Bremworth's re-entry into synthetic carpets has impacted, or may impact in the future, on the degree of competition between Godfrey Hirst and Bremworth.*

46. It is submitted that the Commission should:

- a. Be considering diversion ratios between the Godfrey Hirst and Bremworth woollen carpets, or proxies for them, and evidence pre-2020.
- b. Also examine Mohawk/Godfrey Hirst synthetic carpet pricing post-2020.
- c. Similarly consider Mohawk/Godfrey Hirst's pricing when Bremworth's supply was interrupted.

47. An important example of the closeness of competition between Mohawk/Godfrey Hirst and Bremworth, and the distinct importance of woollen carpets, can be seen from the **announcement by Bremworth on August 1, 2022 (overleaf)**.<sup>24</sup>

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<sup>24</sup> [Worlds Largest Flooring Company Drops Damages Claims Against Kiwi Wool – Bremworth Wool Carpets New Zealand](#)

## Worlds Largest Flooring Company Drops Damages Claims Against Kiwi Wool Carpet Brand

Godfrey Hirst has abandoned its claim for damages and agreed to provide details of its own advertising campaigns after it acknowledged during a High Court hearing that it had not provided all documents relevant to the case.

The hearing follows an ongoing David versus Goliath battle with **Godfrey Hirst attempting to prevent NZ owned Bremworth making specific claims about the benefits of wool carpets.**

Godfrey Hirst is owned by the world's largest flooring company, Mohawk Industries, who also owns the Feltex brand. Listed on the New York Stock Exchange, Mohawk has annual revenues in excess of US\$11.2bn and has a significant share of the plastic-based synthetic carpet market.<sup>1</sup>

In 2020 Bremworth, which has manufacturing facilities in Napier, Whanganui and Papatoetoe, adopted a new strategy which saw it shift to 100% NZ wool fibres for the production of wool carpets.

The move has been seen as a significant boost for New Zealand's agricultural sector and potentially the country's export revenues at a time when wool sales had slumped.

Bremworth has also reduced its own consumption of imported plastic raw materials by approximately 2,500 tonnes per annum.

While latest Government data shows the value of New Zealand's wool product exports, of which most is carpet, has fallen by 44% over the past six years, there are positive signs for the industry with forecasts projecting a 10% increase in export revenue for 2023.<sup>2</sup>

Godfrey Hirst brought a case against Bremworth saying the NZ company's claims around wool carpets being "better for the environment" and that a switch from synthetics to all wool carpets is "changing for good" are misleading.

This was despite Godfrey Hirst making similar claims, including that they pride themselves on making the most environmentally friendly carpet on the planet.

As part of the legal process, Bremworth's counsel requested that Godfrey Hirst provide copies of its own advertising along with details of Godfrey Hirst's engagement with the Commerce Commission prior to bringing its claim (the Commission took no enforcement action) and what Godfrey Hirst had been communicating to the industry.

At the hearing before Associate Judge Johnston, Godfrey Hirst acknowledged it had failed to provide all of its relevant advertising.

Through its legal counsel Godfrey Hirst said it would be providing the advertising at a future date, however, the company would be dropping its damages claim against Bremworth. **Greg Smith, Bremworth CEO, says the company, which has been voted New Zealand's most trusted carpet brand, stands by its "Let's Go Good Together" campaign which does not in any way mislead NZ consumers.**

**Smith says he believes that wool carpets are not only the best for design and performance on the floor, wool fibre is also NZ grown, natural, biodegradable and renewable.**

"New Zealand's wool industry has struggled in recent decades against the backdrop of cheaper synthetic alternatives, but the world is changing and we are confident our homegrown wool is the natural solution to imported synthetic carpet fibres.

**"Our research shows more consumers see the benefits of wool,** however we still have a significant amount of work to do to provide the farming sector with the reassurance they need to remain committed to the industry in the long term.

"Rebuilding the domestic and export industry and educating the market requires a significant investment and our full attention - which this court action is an obvious diversion away from.

"As a company we remain committed to supporting New Zealand's wool sector and working to promote the lifestyle and design benefits of this natural fibre.

"We firmly believe it is a consumer's right to make an informed choice between wool products **and synthetic alternatives which are essentially plastic,**" he says.

-ENDS

<sup>1</sup> Mohawk Industries. Accessible [here](#).

<sup>2</sup> Ministry for Primary Industries. Available [here](#).

48. The Commission's own evidence indicates that Bremworth and Godfrey Hirst (including Feltex) are, by some margin, the closest competitive constraint in the New Zealand wool carpet segment. Both suppliers manufacture New Zealand wool carpets across comparable loop-pile and cut-pile styles, and both enjoy strong brand recognition among retailers and consumers.

49. Bremworth and Godfrey Hirst NZ were the two closest competitors in the 2024-25 RFP by Kainga Ora for carpet supply (confirmed in p2 of Kainga Ora's April 2025 internal briefing document):<sup>25</sup>

- *We received a total of 7 submissions of which 6 were deemed to be compliant*
- *After evaluation, we agreed to shortlist to 2 potential suppliers – Godfrey Hirst and Bremworth*

50. Another way to assess closeness of competition is to look at the range and positioning of the Mohawk / Godfrey Hirst / Feltex and Bremworth brands. Taken together, the evidence supports the proposition GH/Feltex and Bremworth/Cavalier operate as the principal bilateral competitive tension across the full wool spectrum and, increasingly, across synthetics following Bremworth's re-entry. This means any removal or weakening of this rivalry would have material implications for price, range, and quality options available to consumers. In tabular form:

**TABLE B: SIDE-BY-SIDE BRAND & STYLE COMPARISON MATRIX**

Godfrey Hirst (incl. Feltex) vs Bremworth

| CATEGORY                             | GODFREY HIRST (GH)   | FELTEX (GH-OWNED)  | BREMWORTH<br>(FORMERLY CAVALIER<br>BREMWORTH)   |
|--------------------------------------|--|--|---|
| PRIMARY FIBRES                       | Wool, Wool Blend, Solution Dyed Nylon, Triexta, Polyester  | Wool, Solution Dyed nylon and Triexta.                                 | 100% NZ Wool; limited new synthetics (post-2025 re-entry)   |
| REPRESENTATIVE STYLES (PREMIUM WOOL) | Grand Luxury   | Apiary, Pinnacles, Amesbury, 8 <sup>th</sup> Wonder, Whenua, Salisbury | Aoraki, Galet, Lisburn, Transpire, Untouched, Samurai, Charmeuse  |
| REPRESENTATIVE SYNTHETIC STYLES      | Solution Dyed Nylon, Triexta and Polyester   | Solution Dyed Nylon and Triexta  | Four new solution dyed nylon ranges (2025 re-entry); Tulle Cove, Whisper Trail, Starlight and Limelight |
| DESIGN POSITIONING                   | Very broad: plush, loop, patterned, cut/loop, modern to traditional  | Modern, residential-focused  | Premium artisan, natural colours, felted yarn innovation  |
| COMPETITIVE STRENGTH SEGMENT         | Strongest in synthetic; strong in wool; broadest NZ range.   | Mid-upper market wool and synthetic                                    | Market-leading premium NZ wool producer; GH's <sup>26</sup> closest competitor in wool                  |
| CLOSEST CROSS-BRAND EQUIVALENTS      | GH wool ↔ Bremworth (eg Charmeuse↔ Grand Luxury<br>GH Mid range wools ↔ Bremworth<br>Aspire/Lifestyle ranges | Feltex mid-range wool ↔ Bremworth<br>Aspire/Lifestyle ranges           | Bremworth synthetics ↔ GH Synthetics  |

<sup>25</sup> Made available in July 2025 under the OIA [28-July-2025-Carpet-Contract-with-Bremworth-Part-3.pdf](#)<sup>26</sup> References to GH means Godfrey Hirst including its interconnected and associated entities, most obviously Mohawk.

51. Putting it another way:

**TABLE C: SUMMARY OF KEY "CLOSEST MATCHES" - QUALITY + STYLE:**

**PREMIUM WOOL (STRONGEST HEAD-TO-HEAD)**

- Bremworth Galet ↔ Feltex Apiary /Pinnacles(textured loop, premium NZ wool)
- Bremworth Samurai↔ Feltex 8<sup>th</sup> Wonder/Whenua (dense, luxury wool pile)
- Bremworth Charmeuse↔ GH Grand Luxury(natural-cut pile twist wool)

**MID-RANGE WOOL**

- Cavalier Aspire / Lifestyle ↔ GH/Feltex Pebble Grid II , Amesbury / Chelsea Row / Heathland / Coastal Stipple (mid-range loop/cut piles, NZ wool)

**SYNTHETIC (LIMITED DIRECT PAIRING DUE TO BREMWORTH'S RE-ENTRY)**

- Bremworth synthetics ↔ GH/Feltex SDN's (closest category equivalents, albeit GH has far broader range)

52. While several niche or small-scale suppliers exist in New Zealand (ie Carpet Mill, Wool NZ, and various imported synthetic ranges), the evidence indicates that these suppliers do not offer meaningful competitive constraint on either Godfrey Hirst/Feltex or Bremworth/Cavalier. They lack 'brand pull', range breadth, wool capability, and the scale required to supply national retailer groups. We understand that retailers consistently describe GH/Feltex and Bremworth/Cavalier as the only 'must-have' brands, particularly for NZ wool carpets, and note that other suppliers cannot service consumer expectations or the full product range required for competition.

53. Breaking this down:

a. **Brand strength:** Mohawk/ Godfrey Hirst (including Feltex) and Bremworth/Cavalier are long established, nationally recognised brands with strong NZ consumer affinity. Others lack brand recognition. It is telling that the competitive constraint is argued to be the unbranded / generic "imports", which implies a different market segment and / or limits to the competitive constraint, particularly in a market where the products are generally significantly differentiated.

b. **Wool capability:** NZ consumers heavily associate quality with NZ wool. Only Mohawk/ Godfrey Hirst (including Feltex) and Bremworth/Cavalier compete seriously here. Wool NZ and imported brands cannot deliver the wool range, breadth, or brand pull. Offshore wool does not have the same functional characteristics of NZX wool (as discussed in our clients' earlier submission).

c. **Range breadth:**

- Mohawk/ Godfrey Hirst (including Feltex) and Bremworth/Cavalier supply: (1) premium wool (2) mid-range wool, (3) synthetics (principally GH at present), across (4) broad range across price points
- Other suppliers are: (1) Carpet Mill (with a very limited range, a different resale model, and is capacity-constrained; (2) Wools of NZ (which has narrow, tiny range

(thought to be <3% market); and (3) “imports” (which are often lower-end polyester/polypropylene)

- d. **Retailer expectations:** Retailers appear to rely on GH/Bremworth to signal quality to consumers. Conversely, retailers do not appear advertise Wools of NZ or imports as ‘hero brands.’ As noted, we understand that retailers consider that they must have one or (preferably) both brands to compete with other retailers.
- e. **Manufacturing scale & reliability:** Only Mohawk/ Godfrey Hirst (including Feltex) and Bremworth/Cavalier operate large-scale NZ manufacturing; others have limited or no meaningful NZ capacity.

## C UNILATERAL EFFECTS

### (2) Existing competition – domestic manufacturers (para 111)

*how the price, quality and breadth of Carpet Mill's carpet range compare to the carpet ranges of Godfrey Hirst and Bremworth*

*the extent to which consumers view Carpet Mill as a strong competitive alternative to Godfrey Hirst and Bremworth, and if so, for what types of products/projects.*

- 54. Carpet Mill is the only domestic manufacturer beside Mohawk/ Godfrey Hirst and Bremworth. It is vertically integrated and we understand sells primarily through its own distribution channels (ie it does not wholesale into retailers).
- 55. We understand that Carpet Mill is estimated to supply <5% of the NZ carpet. It has a limited range, would need significant capital expenditure to diversify, has a limited distribution reach, and capacity constraints which may limit or prevent it servicing large retail / trade groups.
- 56. Carpet Mill's low market share by itself would generally be regarded as at or close to *de minimis* levels, ie its market share alone would suggest that it is not a sufficiently material competitive constraint across all market segments.
- 57. Its niche focus reinforces that impression. Its focus appears to be a value-priced, efficient, low overhead model with mobile showrooms, computer-based cuttings (for reduced waste) and simplified distribution.<sup>27</sup> We are not aware of any evidence that it would fundamentally change its business model, or that this would be a successful strategy.
- 58. Against this, Mohawk/ Godfrey Hirst is already the largest carpet manufacturer in NZ, with presence in synthetic, wool, and commercial carpet tiles.<sup>28</sup> This can be contrasted with the view that "*Post-merger, Mohawk would control an **estimated minimum 70 percent of the domestic carpet supply by volume** in all carpet fibre types.*"<sup>29</sup>
- 59. Link Economics concluded:

<sup>27</sup> *Bremworth's carpets appear to be the closest substitutes for Mohawk/Godfrey Hirst's carpet products. Both companies domestically produce a range of NZ wool and synthetic carpets targeted at local customers' preferences, and both have brands that are recognised domestically.*

<sup>28</sup> *The only other domestic carpet manufacturer is Carpet Mill. Carpet Mill is vertically integrated and does not sell wholesale products to retailers. It is also a very small supplier – for example, Figure 7 of the NERA report estimates that Carpet Mill serves somewhat less than 5% of the carpet market.*

<sup>29</sup> *While Wools of NZ (WNZ) produces carpet using NZ wool with offshore wool manufacturing, it produces small volumes (estimated in the Application to have 3% market share)<sup>[7]</sup> <sup>30</sup>with a limited range of designs and so is unlikely to place a significant constraint on Mohawk/Godfrey Hirst, let alone the merged entity.*

<sup>27</sup> [Carpet | Hard Flooring | Vinyl Flooring | New Zealand Made | Carpet Mill](#)

<sup>28</sup> [US flooring giant Mohawk suggests its offering a 'lifeline' to Bremworth in buying company | The Post](#)

<sup>29</sup> [Anonymous-B-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-12-November-2025.pdf](#)

<sup>30</sup> Footnote [7] read: "The Application, para 85."

30 As discussed below, imported carpet has both different characteristics and cost structures than domestically produced carpet.

31 Bremworth's exit from and re-entry into synthetic carpet provides a natural experiment over time of how Mohawk/Godfrey Hirst's price changes in response to changes in the availability of Bremworth's products. This can give an understanding of the degree of constraint that Bremworth places on Mohawk/Godfrey Hirst.

...

35 Bremworth's yarn-making plant was heavily damaged and taken offline as a result of Cyclone Gabrielle in February 2023.<sup>8</sup> As a result, Bremworth was capacity constrained and implemented a hybrid yarn supply model under which it increased the amount of yarn that was processed by third-parties, including off-shore. Within the 2-year period when Bremworth had reduced capacity and increased costs of production, Mohawk/Godfrey Hirst increased wool carpet prices by 12%.<sup>9</sup>

36 While we do not have access to the full set of Mohawk/Godfrey Hirst's prices and discounts across suppliers, the information presented above indicates that:

- a Bremworth's exit from SDN carpet supply substantially lessened the competitive pressure faced by Mohawk/Godfrey Hirst, and Mohawk/Godfrey Hirst was not significantly constrained by imports. Instead, it was Bremworth's re-entry, rather than imports, that re introduced competitive constraint on Mohawk/Godfrey Hirst.
- b During the 2-year period when Bremworth suffered from reduced capacity and higher costs in the production of wool carpets, Mohawk/Godfrey Hirst appears to have faced less competitive constraint on wool carpets than it did during other periods.
- c The prices of wool and SDN carpets do not move together and do not appear to constrain each other.

37 In total, the pricing information suggests that Bremworth is the primary competitive constraint on Mohawk/Godfrey Hirst, rather than import competition or another source of supply. Considering the closeness of competition between Bremworth and Mohawk/Godfrey Hirst, if the proposed acquisition goes ahead, there would be substantial cause for concern that wholesale and retail carpet prices in NZ would materially increase.<sup>31</sup>

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<sup>31</sup> [Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf](https://link-economics.com/Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf) – Footnote [8] was <https://bremworth.co.nz/blogs/company-announcements/expansion-of-napier-production-in-post-cyclonerebuild> and [9] read: "In the second half of the 2025 calendar year, Bremworth has been working through stages of reinstating its capacity (and building in flexibility to scale for international demand growth)."

## C UNILATERAL EFFECTS

### (3) Existing competition – importers (para 123)

*how imported synthetic and wool carpets compare to and/or are substitutes for the merging parties' products in terms of factors such price, quality, range and (after-sales) service*

*whether existing importers could easily, and in a timely manner, increase the volumes of carpet they are supplying in New Zealand*

*whether the business model of importers impacts the competitive constraint each importing entity provides on the merging parties*

*any different regulatory requirements applying to domestically manufactured carpets as compared to imported carpets*

*any similarities and/or differences in the manufacturing costs between domestic carpet manufacturers and those manufacturers based overseas*

*the differences in the supply and/or logistics costs between sourcing carpets from an overseas supplier compared to a domestic carpet manufacturer (being the 'landing' costs that are in addition to manufacturing costs such as shipping and/or storage costs as well as exchange rates costs/risks etc)*

*the extent to which New Zealand end-customers value 'New Zealand made' carpets*

*the extent that any constraint on the merged entity from imported carpets products would vary based on wholesale customer type*

*the willingness (or otherwise) of flooring retailers to increase their sales to end-customers using imported synthetic and wool carpets*

*whether flooring retailers would switch a material portion of their purchases to imported product if faced with a significant price increase from the merged entity and any risks and/or related costs in doing this*

*any similarities and/or differences between a flooring retailer having a high reliance on imported carpet products compared to high reliance on domestically produced carpet products; and*

*the likely constraint that imported products would provide on the merged entity across the full range of products that Godfrey Hirst and Bremworth currently supply.*

#### 60. Link Economics concluded:<sup>32</sup>

55. *In summary, an understanding of what drove the change in imports is critical to assessing whether imports constrain on domestic production. Our observations based on import data strongly indicate that rather than a wave of cheap imports entering New Zealand and*

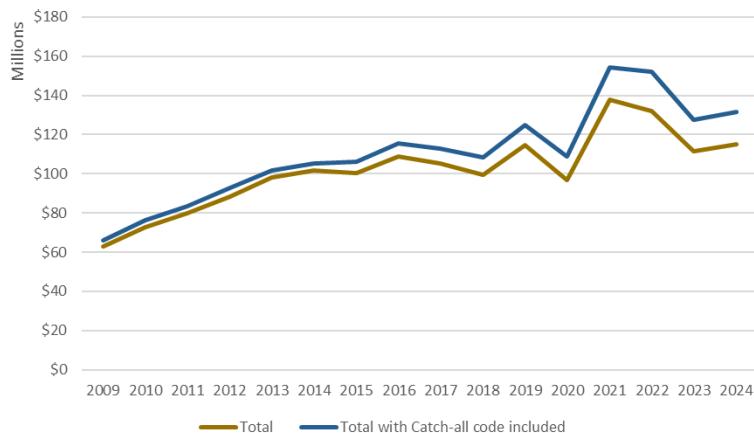
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<sup>32</sup> [LINK Economics report](#)

*constraining domestic manufacturers, it was instead the case that the increase in imports was in response to reduced domestic supply.*

61. In reaching that conclusion it had examined data carpet imports by value over time:

**Link Economics : Figure 1 Carpet imports (\$millions), 2009 to 2024**



Source: StatsNZ Infoshare<sup>33</sup>

62. Link Economics observed (para 47):<sup>34</sup>

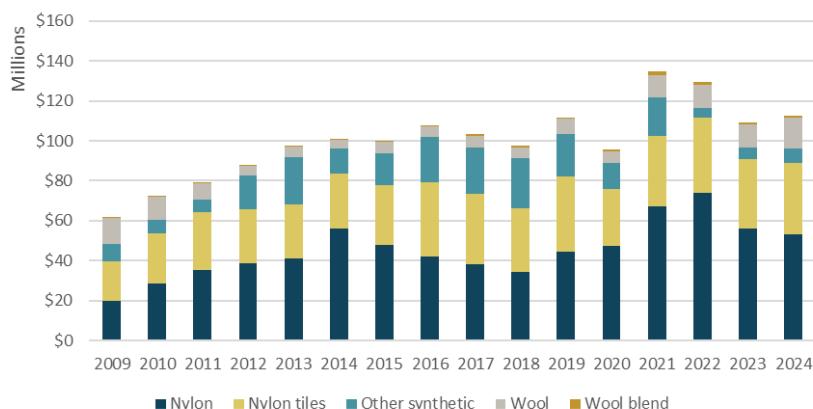
- “there was a period of steady increase in imports from 2009 to 2014, followed by a period of 6 years with year-to-year fluctuations but a trend of little growth”*
- “Imports increased markedly in 2021, which coincides with when Bremworth exited synthetics, and have fallen since”*
- “value of imports in 2024 was around 1% to 5% higher than in 2019 depending on the choice of importing codes”*

63. It then stated:

- 48 *Looking in more detail at carpet imports by fibre, nylon carpet imports (the dark blue bars in Figure 2) had been growing from at least 2009, peaking in 2014, before falling through to 2018. Nylon carpet imports then regained some ground in 2019 before increasing significantly in 2021 following Bremworth’s exit. Imports of nylon carpets then reduced significantly in 2023, presumably as a result of a weakening of demand in an economic downturn, and by 2024 the value of nylon carpet imports was slightly less than in 2014.*
- 49 *Most of the growth in nylon imports that occurred in 2021 after Bremworth’s exit came from Belgium, China, South Africa, and UAE.*

<sup>33</sup> <https://infoshare.stats.govt.nz/TradeVariables.aspx?DataType=TIM>

<sup>34</sup> [LINK Economics report](#)

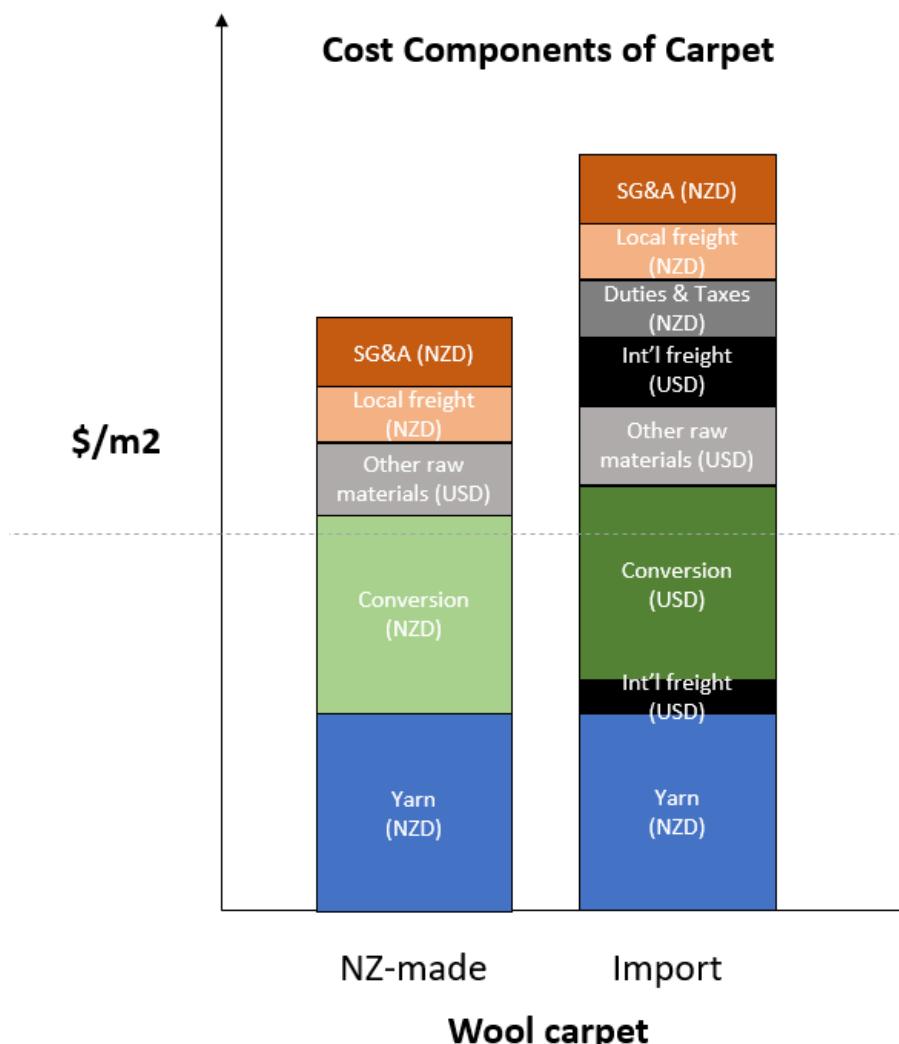
**Figure 2 Carpet Imports disaggregated by fibre (\$millions), 2009 to 2024**

Source: StatsNZ Infoshare<sup>35</sup>

Notes: Includes insurance and freight. Excludes knotted, handmade carpets, rugs, carpets under 4m<sup>2</sup> (except carpet tiles), and carpets shaped for motor vehicles. Excludes HS code 5705000000.

64. Link Economics went on to observe (para 50):
  - a. Carpet tiles (the yellow bars) have accounted for a significant proportion of imports for a number of years, with the total value imported remaining roughly constant in recent years (aside from 2020, where the pandemic likely explains the smaller amount in that year).
  - b. The proportion of imports accounted for by other synthetic carpets (the teal bars), which includes polyester and polypropylene carpets is very small, which is consistent with our observation discussed above that New Zealand consumers have not switched to these low-cost options. The large fall in synthetic carpets in 2022 is likely explained by the exclusion of turf from the synthetic carpet category.
  - c. The proportion of imports that are wool is reasonably small but increased significantly in 2021, from \$3.2 million in 2020 to \$8.9 million in 2021. The increase came from Australia (\$2.148 million) and Turkiye (\$2.8 million). We understand that some or all of the increase from Turkiye would be accounted for by WNZ's offshore carpet manufacture using NZ-wool, and that some of the Australian imports relate to Mohawk/Godfrey Hirst's own imports.
65. It commented (para 55): “Our observations based on import data strongly indicate that rather than a wave of cheap imports entering New Zealand and constraining domestic manufacturers, it was instead the case that the increase in imports was in response to reduced domestic supply.”
66. In relation to the import economics of synthetic versus wool carpet, it is important for the Commission to note that there are additional costs associated with the importation of NZ-wool carpet, specifically the freight costs associated with shipping the wool raw material (whether as wool or as yarn) overseas, and then the further freight costs associated with the return freight leg of the finished goods to New Zealand. Even if the NZ wool (and/or yarn) can be sourced at a cost-competitive rate, the likelihood is that the imported product will be significantly less cost-competitive than the domestically manufactured equivalent products.
67. See **below** for an illustrative chart of the cost-components of imported NZ-wool carpets.

<sup>35</sup> <https://infoshare.stats.govt.nz/TradeVariables.aspx?DataType=TIM>

**Table D:** illustrative chart of the cost-components of imported NZ-wool carpets.

68. This is further exacerbated by the introduction of additional risk through having a higher component of the product cost exposed to exchange-rate risk, and a longer supply-chain requiring higher investment in working capital. If duties and taxes are payable, then the cost competitiveness of imported carpet is reduced even further

## C UNILATERAL EFFECTS

### (4) Potential competition (para 131)

*where the overseas manufacturers (particularly of wool and/or SDN carpets) that do not have an existing presence in New Zealand would be likely to sit on the price/quality spectrum*

*the costs required to enter, and the likely length of time it would take for a supplier of wool carpet and/or SDN carpet with no presence in New Zealand to begin offering their products in the soft flooring market*

*the scale required by a new entrant for it to be able to offer a viable competitive alternative to the merged entity in the supply of wool carpet and/or SDN carpet; and*

*whether there would be sufficient demand for wool carpet and/or SDN carpet in New Zealand to attract a prospective new entrant.*

69. We expect that the Commission will obtain additional information through its enquiries.

70. We also refer the Commission to the earlier submission.

## C UNILATERAL EFFECTS

### (5) Countervailing power (para 137)

*the ability and the incentive of flooring retailers to import carpet product directly for self-supply (such as by introducing a 'white label' product or range)*

*the volume of wool and synthetic carpet products that are currently being imported directly by flooring retailers, and whether this direct importing is from large retail buying groups and/or independent retailers*

*whether an exercise of countervailing power, or the threat of an exercise of countervailing power, by any type of wholesale customer would affect other wholesale customers*

*specific examples of when flooring retailers have (or have not) successfully been able to exert substantial influence in negotiations with Godfrey Hirst and/or Bremworth in terms of the price, or other supply terms, for soft flooring products; and*

71. Mohawk / Godfrey Hirst's own submissions demonstrate that large retailers lack countervailing power, expressly stating that Godfrey Hirst's "negotiates pricing... **on an individual store basis**" and that pricing "is assessed... **on a case by case basis**" with discretionary adjustments tied to "the volume and mix" of each store's purchases and their "willingness to participate in GH branding and promotions."<sup>36</sup>
72. This admission is significant for the Commission's query about countervailing power. It is submitted that a supplier which is genuinely constrained by large customers does not:
  - a. refuse to negotiate national or organisation-wide pricing;
  - b. choose which stores are allowed to have an account;
  - c. tailor pricing unilaterally at a store-by-store level; or
  - d. link pricing advantages to participation in supplier-driven promotional activity or merchandising requirements
73. Rather, GH's own description reflects a one-sided bargaining dynamic in which GH retains sole discretion over price, access, rebates, and terms. Far from demonstrating retailer countervailing power, GH's account confirms that GH controls pricing, not its customers - and does so in a way that weakens the ability of even large buying groups to discipline its market conduct. This dynamic would intensify post-acquisition, as the merged Mohawk Bremworth entity would hold substantially greater market power specifically in the Wool category and even less need to negotiate with retailer groups.
74. A buyer with countervailing power would expect a supplier to engage constructively centrally (ie with head office or equivalent), but we understand that GH does not. It is submitted that,

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<sup>36</sup> [Chapman-Tripp-on-behalf-of-Godfrey-Hirst-Comments-on-submissions-on-SoPI-Matthews-Law-10-December-2025.pdf](#) Para 14 reads: "In relation first to pricing, Godfrey Hirst negotiates pricing for its carpet and hard flooring products on an individual store basis. That is, pricing will be determined for individual stores owned and operated by, or franchised to, the particular retail group. The same applies with independent retailers who have a single or multiple stores or point of presence. Pricing for the individual store or point of presence (such as the mobile vans operated by Harrisons' franchisees) is assessed, from a Godfrey Hirst perspective, on a case-by-case basis, with some correlation to the volume and mix of their respective purchases from Godfrey Hirst."

rather than indicating countervailing power by resellers, the asymmetry indicates an imbalance in negotiating power

75. We expect that this approach can be contrasted with other suppliers and suggest that the Commission should be asking other suppliers how they negotiate terms with resellers.
76. Conversely the applicant should be able to demonstrate that larger resellers exert purchasing power in a meaningful way from a competition perspective.
77. **The SOI does not appear to mention The Flooring Foundation.<sup>37</sup>**
78. We understand that Godfrey Hirst established and operates the Flooring Foundation retail network (45 stores nationwide).



79. There appears to be a strong link as the screenshot above indicates. We note that Cowes Bay<sup>38</sup> described The Flooring Foundation as a “*Godfrey Hirst sponsored/controlled retail buying group*”.<sup>39</sup> More obviously **the sole shareholder of The Flooring Foundation Limited is Godfrey Hirst NZ Limited.<sup>40</sup>** **It remains unclear how it can be asserted that the proposal raises no vertical issues.**
80. On the contrary this apparent vertical integration means that Mohawk / Godfrey Hirst is both a supplier and a direct / indirect retail competitor with resellers. This
  - a. gives Mohawk / Godfrey Hirst strong incentives to favour its own retail network;
  - b. makes Mohawk / Godfrey Hirst uniquely able to use selective pricing, ranging, or access decisions to influence retailer behaviour;
  - c. raises the risk of foreclosure and floor-space disadvantage for independent retailers; and
  - d. materially heightens portfolio effects risk post-merger (see below).
81. The Commission should compare Mohawk / Godfrey Hirst terms of supply to third party resellers in area where there is a Flooring Foundation and where there is not.
82. We attempted to word search “Flooring Foundation” in the application,<sup>41</sup> but had zero hits. Clearly this should be checked, but it appears to be a significant omission.

<sup>37</sup> [The Flooring Foundation](#)

<sup>38</sup> [Cowes-Bay-Group-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-12-November-2025.pdf](#)

<sup>39</sup> [Para 6\(c\)\(ii\) p2](#) reads “*we believe it is highly likely the Godfrey Hirst sponsored/controlled retail buying group The Flooring Foundation will be further expanded through the addition of [current] Bremworth dedicated customers, further entrenching Godfrey Hirst’s dominant position and excluding other suppliers from that retail distribution channel;*”

<sup>40</sup> [Shareholdings](#) – from a Companies Office search 31 January 2026

<sup>41</sup> [Godfrey-Hirst-Clearance-Application-Excluding-Attachments-G-H-M-15-October-2025.pdf](#) We did get 7 separate unrelated hits for the word “foundation”.

83. Link Economics covers **countervailing power** in section 3.54 (para 69) of its report,<sup>42</sup> observing that “*At face value, this appears implausible...*”. It makes several useful observations including:

- a. Mohawk/Godfrey Hirst & Bremworth reportedly have >400 retail customers.
- b. IBISWorld describes the retail flooring industry as “highly fragmented.”<sup>43</sup>
- c. Buying groups represent only a portion of the market and even then, it is not clear that any individual group is sufficiently large or that they have a sufficiently strong outside option to attain countervailing market power.<sup>44</sup>

84. Further:<sup>45</sup>

*“It is unlikely for countervailing market power to be a defence in a market where customers are small and fragmented, such as appears to be the case for New Zealand carpet purchasers. And the countervailing effect must be market-wide: it cannot be that a few strong customers are at least as well-off, but consumers overall face higher quality adjusted prices and/or fewer choices.”*

*specific examples of when a wholesale flooring customer, whether a flooring retailer or another type of customer, have (or have not) successfully switched carpet supply from a domestic manufacturer to an importer and/or a contract manufacturer.*

85. We expect that the Commission will obtain this information through its market enquiries.

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<sup>42</sup> [LINK Economics report](#)

<sup>43</sup> Footnote [17] (Floor Coverings Retailing in New Zealand - Market Research Report (2015-2030))

<https://www.ibisworld.com/new-zealand/industry/floor-coverings-retailing/412/>

<sup>44</sup> Para 61 [LINK Economics report](#)

<sup>45</sup> Para 62 [LINK Economics report](#)

## C UNILATERAL EFFECTS

### (6) Efficiencies (para 144)

*the extent to which any efficiencies can be specifically attributed to the Proposed Acquisition in our assessment of the Application.*

86. It is submitted that these claimed benefits would only be relevant to the extent that there was evidence that this enabled the merging parties to compete better with other, stronger competitors, and that those benefits would be passed on to consumers.
87. In the context of a strong competitor removing its closest rival, the suggested benefits are clearly irrelevant.

## C UNILATERAL EFFECTS

### (7) Out of market constraints (para 152)

*the extent to which the total price of wool carpet (including the purchase price and the installation cost) compares to the cost of installing hard flooring products*

*the extent to which the total price of SDN carpet (including the purchase price and the installation cost) compares to the cost of installing hard flooring products*

*specific examples of residential end-customers exclusively installing hard flooring products in a new build project; and*

*specific examples of residential end-customers switching from a wool carpet (or a SDN carpet) to a hard flooring product as part of a refurbishment project.*

89. This argument seems irrelevant given that even “in market” constraints seem insufficient.
90. We refer the Commission to the discussion of the *Cellophane fallacy* in the earlier submission.
91. Regardless, given that Mohawk is the world’s largest flooring company with a significant presence in broader flooring products, the situation is instead that the merged entity would have even greater power due to the “out of market” market power that Mohawk/Godfrey Hirst holds.
92. That issue is better addressed in the conglomerate effects discussion.

## D CONGLOMERATE EFFECTS

### General (para 165)

*whether the Mohawk (through Godfrey Hirst and Floorscape) and/or Bremworth brands are considered 'must-have' brands by flooring retailers*

93. As Link Economics observed:<sup>46</sup>

- 57 *The need to supply a range of carpets is a feature of carpet retailing. For example, the IBISWorld NZ Report finds that: "Floor coverings retailers compete based on price, quality and range of offerings."* [15] <sup>47</sup>
- 58 *The Bremworth brand is particularly strong, having won the Most Trusted Carpet Brand for the past 12 years in the Reader's Digest Most Trusted Brands Awards. [16] <sup>48</sup> The Mohawk/Godfrey Hirst and Feltex brands are also long-established in the NZ market. It seems highly plausible that retailers would struggle to compete without supplying at least one of these brands, and not only because of the brand but because the affinity of consumers to NZ wool would mean that many would expect reputable retailers to supply at least some range of NZ wool carpets (regardless of what carpet those consumers eventually purchase).*
- 59 *The material supplied in Attachment I of the Application for Flooring Design and A-Z Flooring provides examples of how retailers use carpet brands in advertising to demonstrate that they supply these key brands. Concentration of these "must-have" brands under a single ownership if the merger goes ahead could be used as a threat against retailers, increasing the power of the merged firm.*

*how Mohawk (through Godfrey Hirst and Floorscape) and other suppliers negotiate with flooring retailers in order to have their products displayed prominently in retail store and van offerings*

94. Submissions to date suggest negotiation is limited. Rather, resellers seek to negotiate terms.

*the nature of rebate and tying/bundling arrangements in the flooring industry, and their effect on retailer's supplier and purchasing decisions*

95. As noted above both the proposed merging parties control several strong brands.

96. The issue appears to be the inability to obtain terms consistent with competitive markets even when reseller customers represent a material proportion of the downstream market.

*how flooring retailers would respond if the merged entity sought to supply some or all of its products in a bundle*

97. It is considered that the merged entity would have an even greater ability to dictate terms.

*whether the Proposed Acquisition (and the addition of Bremworth products) would give Mohawk (through Godfrey Hirst and Floorscape) stronger bargaining strength in its commercial arrangements with flooring retailers, and how this would play out in practice for retailers.*

<sup>46</sup> [Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf](https://www.matthewslaw.co.nz/assets/Link-Economics-Submission-on-Godfrey-Hirst-and-Bremworth-Statement-of-Preliminary-Issues-27-November-2025.pdf)

<sup>47</sup> <https://www.ibisworld.com/new-zealand/industry/floor-coverings-retailing/412/#Companies>

<sup>48</sup> <https://bremworth.co.nz/blogs/wool-carpet/bremworth-wins-most-trusted-carpet-brand-for-the-12th-consecutive-year>

98. The proposal raises a clear risk of range rationalisation due to significant product overlap between the acquirer and the target companies. Where similar products already exist within the acquirer's portfolio, commercial incentives strongly favour consolidation rather than duplication. This would likely result in the discontinuation of overlapping ranges, reducing consumer choice: particularly in non-price attributes such as colour, texture, and performance.
99. Further, the acquirer would gain control over critical intellectual property in colour development, yarn dyeing, tufting, and felted yarn technologies. Once internalised, this IP could be prioritised to support the acquirer's existing brands and strategies, while independent or competing product lines are deprioritised or withdrawn. This concentration of specialised manufacturing know-how increases barriers to entry for other suppliers and weakens competitive tension in the market.
100. Over time, rationalisation of production and centralisation of IP is likely to lead to reduced manufacturing diversity and potential closure or downsizing of facilities, particularly where efficiencies can be achieved by shifting volumes to the acquirer's preferred operations. This would diminish innovation, limit design evolution, and negatively impact the broader New Zealand supply chain by reducing the number of independent sources of specialised flooring products.
101. Taken together, these factors indicate a material risk that the acquisition would lessen competition, restrict consumer choice, and concentrate control of critical capabilities in a single market participant—outcomes that support intervention to halt the acquisition.
102. Mohawk/Godfrey Hirst already has a level of portfolio power, which it states on its website as a one-stop shop:

*"Godfrey Hirst offer a **comprehensive suite of flooring**. From luxurious wool carpets, to family friendly solution dyed nylon, extremely soft triexta or a host of hard floor choices, including timber, hybrid, vinyl plank, laminate and vinyl sheet, we have **the best range of carpet and flooring to suit every home, budget and lifestyle**.*

*Our one-stop site is full of handy tips and design inspiration. And our New Zealand wide retail partners are ready and waiting with expert advice and personalised service."*<sup>49</sup>

103. In conglomerate effects there are three aspects that it is submitted that the Commission should consider further:
  - a. The range and strength of the parties existing brands and product lines in both wool and synthetic, together with the "must-have" nature of those brands for end-customers (and thus downstream resellers).
  - b. Broader, "out of market" activities of Mohawk/Godfrey Hirst, the world's largest flooring company: *hybrid, timber, laminate, vinyl plank, vinyl sheet*. As noted in the attachments to the application:<sup>50</sup>

*"Jeffrey S. Lorberbaum, Mohawk's chairman and chief executive officer, stated, "Mohawk's strategy in Australia and New Zealand has been to build a **leading position** in the flooring market. Godfrey Hirst's marketing, manufacturing and distribution leadership will **complement** our current hard surface distribution and **strengthen our portfolio**. We will **leverage** our global flooring*

<sup>49</sup> [Residential Carpet & Flooring - Godfrey Hirst](#)

<sup>50</sup> [Godfrey-Hirst-Clearance-Application-Attachment-M-15-October-2025.pdf](#)

*resources and talent to support Godfrey Hirst's outstanding management and accelerate their growth strategies."*

*... With Godfrey Hirst, Mohawk will become the leader in flooring products in both Australia and New Zealand with a platform for significant growth"*

c. Mohawk/Godfrey Hirst's apparent existing vertical integration, through its downstream ownership of The Flooring Foundation Limited, and the fact that for third parties seeking to import whether in their own right or as resellers would need to effectively "backward integrate" without the economies of scale and scope that the merged entity would have.

- As noted, we do not consider the Commission has fully considered vertical issues. It is telling that Mohawk itself boasts about its own vertical integration. The same media release (attachment M to the application) specifically notes:<sup>51</sup>

***"Godfrey Hirst is the most vertically integrated flooring operation in Australia and New Zealand, providing broadloom, modular carpet and hard surface products for both residential and commercial applications.***

....

*Today, Godfrey Hirst's state-of-the-art operations and distribution assets are the most vertically integrated in the region. The company produces premium carpets of wool, nylon, polypropylene and triexta to satisfy all channels and price points. Its products are sold under the well-known Godfrey Hirst, Feltex and Hycraft brands through specialty retailers, home centers, architects and designers. In recent years, Godfrey Hirst has expanded its product offering to provide a wide range of globally-sourced hard surface products, including LVT, wood and laminate"*

104. Finally, and most obviously/significantly, when considering the wholesale/B2B "market", both suppliers/manufacturers (Mohawk/Godfrey Hirst) and resellers each supply a portfolio of **complementary products**. The proposal could be expected to lead to significant portfolio market power. Imagine if a Regulated Grocery Retailer (there are only three, cf. fragmented carpet resale) faced a single supplier which by itself could provide both the vast majority of the RGR's product needs, but also the strongest brands. That could be expected to raise significant competition concerns. (Particularly if one also considered the vertical integration point above.)

105. It is submitted this requires closer scrutiny.

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<sup>51</sup> [Godfrey-Hirst-Clearance-Application-Attachment-M-15-October-2025.pdf](https://www.govt.nz/assets/Ministries-and-Agencies/Commerce/Regulation-and-Competition/Competition-and-Consumer-Protection/Attachment-M-Godfrey-Hirst-Clearance-Application-15-October-2025.pdf)