



MEDIA RELEASE

29 January 2020

CCCS Consults on In-Depth Review of Proposed Merger of Korean Shipbuilders

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) is inviting public feedback on the in-depth review of the proposed merger between Korea Shipbuilding & Offshore Engineering Co., Ltd. (“**KSOE**”) and Daewoo Shipbuilding & Marine Engineering Co., Ltd. (“**DSME**”) (collectively, “the **Parties**”) (“the **Proposed Transaction**”).

Background

2. On 12 September 2019, CCCS accepted an application for decision in relation to the Proposed Transaction. KSOE had applied to CCCS for a decision as to whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

3. KSOE and DSME overlap in the supply of commercial vessels, including oil tankers, containerships, liquefied natural gas (“**LNG**”) carriers and liquefied petroleum gas (“**LPG**”) carriers. Both companies operate in Singapore as foreign companies registered in Singapore.

Initiation of in-depth review

4. CCCS had earlier raised competition concerns on the Proposed Transaction after completing its preliminary review¹ following public consultation. Based on information furnished by KSOE and feedback from third parties², CCCS was unable to conclude that the Proposed Transaction would not raise competition concerns. In particular, industry feedback suggests that the Parties are currently two of the largest suppliers for the global supply of LNG carriers, and possibly large containerships and large oil tankers. There are concerns:

¹ www.cccs.gov.sg/media-and-consultation/newsroom/media-releases/ksoe-dsme-ph-1-competition-concerns

² Third parties include other competing suppliers of commercial vessels, customers who purchase commercial vessels, and relevant government agencies.

- That the Proposed Transaction will remove competition between two main suppliers of these commercial vessels, to the detriment of customers in Singapore;
- About whether alternative suppliers will be sufficiently strong competitors to the merged entity; and
- That the barriers to entry and expansion, particularly in relation to more sophisticated vessels such as LNG carriers, may be high.

5. Following the filing of the relevant documents by KSOE to CCCS on 23 January 2020, CCCS is commencing an in-depth review of the effect of the Proposed Transaction. The Parties may offer commitments to address the potential competition concerns at any time during the review. Upon completion of the review, CCCS will decide whether to issue a favourable decision or unfavourable decision. For more information on the merger review process in Singapore, please refer to Annex 1.

Public Consultation

6. In relation to the in-depth review, CCCS is inviting feedback on the Proposed Transaction and the identified competition concerns from 29 January 2020 to 19 February 2020.

7. More information on the public consultation can be accessed and downloaded from the CCCS website at www.cccs.gov.sg under the section "[Public Consultation](#)". If the submission/correspondence contains confidential information, please also provide CCCS with a non-confidential version of the submission or correspondence.

- End -

About the Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore (“**CCCS**”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B), which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA, which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

For media clarifications, please contact:

Ms. Nawwar Syahirah
Senior Assistant Director
Communications
Competition and Consumer Commission of Singapore
Email: nawwar_syahirah@cccs.gov.sg
DID: 6325 8313

Ms. Shamsiah Jemain
Senior Executive
Communications
Competition and Consumer Commission of Singapore
Email: shamsiah_jemain@cccs.gov.sg
DID: 6325 8206

Annex 1

About the Section 54 Prohibition under the Competition Act & Merger Procedures

Section 54 of the Act prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition in Singapore.

CCCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless:

- The merged entity has/will have a market share of 40% or more; or
- The merged entity has/will have a market share of between 20% to 40% and the post-merger combined market share of the three largest firms is 70% or more.

Merging entities are not required to notify CCCS of their merger but they should conduct a self-assessment to ascertain if a notification to CCCS is necessary. If they are concerned that the merger has infringed, or is likely to infringe, the Act, they should notify their merger to CCCS. In such cases, CCCS will assess the effect of the merger on competition and decide if the merger has resulted, or is likely to result, in a substantial lessening of competition (“**SLC**”) in Singapore.

Separately, CCCS has the ability to conduct an investigation into an un-notified merger if there are reasonable grounds for suspecting that the merger infringes section 54 of the Act. In the event CCCS finds that a merger situation has resulted or is expected to result in an SLC, CCCS has powers to give directions to remedy the SLC. For example, CCCS can require the merger to be unwound or modified to address or prevent the SLC, as the case may be. CCCS may also consider issuing interim measures prior to the final determination of the investigation.

Phase 1 and Phase 2 Merger Review

A Phase 1 review entails a quick review and allows merger situations which do not raise competition concerns under the section 54 prohibition to proceed. CCCS expects to complete a Phase 1 review within 30 business days. By the end of this period, CCCS will determine whether to issue a favourable decision and allow the merger situation to proceed. If CCCS is unable, at the end of the 30-day period, to conclude that the merger situation will not result in a substantial lessening of competition, CCCS will inform the merger parties and the merger parties may file Form M2. Upon receipt of Form M2, CCCS will proceed to a Phase 2 review.

A Phase 2 review entails a more detailed and extensive examination of the merger situation. While the principles of substantive assessment are the same, CCCS will require access to more extensive and detailed information regarding the merger parties and the markets in question.

As the Phase 2 review is more complex, CCCS will endeavour to complete a Phase 2 review within 120 business days.

Commitments

Section 60A of the Act states that CCCS may, at any time before making a decision as to whether the section 54 prohibition has been or will be infringed, accept commitments that remedy, mitigate or prevent the substantial lessening of competition or any adverse effect arising from the merger situation. Where CCCS has accepted a commitment, CCCS will make a favourable decision.

Further details can be found in the *CCCS Guidelines on Merger Procedures 2012*.

For more information, please visit www.cccs.gov.sg