



MEDIA RELEASE

2 November 2022

CCCS Clears Proposed Acquisition by Sembcorp Marine Limited of Keppel Offshore & Marine Limited

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) has cleared the proposed acquisition by Sembcorp Marine Limited (“**SCM**”) of 100 per cent of Keppel Offshore & Marine Limited (“**KOM**”) (collectively, the “**Parties**”) (the “**Proposed Acquisition**”).
2. Following its assessment, CCCS has concluded that the Proposed Acquisition, if carried into effect, will not infringe the section 54 prohibition of the Competition Act 2004 (the “**Act**”).

Background

3. CCCS accepted the joint notification from the Parties on 29 July 2022 for a decision on whether the proposed combination of SCM and KOM would infringe section 54 of the Act, which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition (“**SLC**”) within any market in Singapore.
4. SCM announced on 27 October 2022 that it has entered into an Amended and Restated Combination Framework Agreement with Keppel Corporation Limited (“**KCL**”) which sets out the revised transaction structure and terms on which the Proposed Acquisition will be effected. After the Proposed Acquisition, KOM will be a wholly-owned subsidiary of SCM.

SCM

5. SCM is incorporated in Singapore and publicly listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). SCM offers one-stop engineering solutions for the offshore, marine and energy industries, with an increasing focus on cleaner offshore and marine, renewable and clean energy solutions. Besides Singapore, SCM also operates shipyards and

facilities such as engineering offices in Brazil, France, Indonesia, Malaysia, Norway, Poland, the United Kingdom and the United States. SCM focuses on four key capabilities: rigs and floaters; repairs and upgrades; offshore platforms; and specialised shipbuilding.

KOM

6. KOM is incorporated in Singapore and wholly owned by KCL, which is listed on the Mainboard of the SGX-ST. KOM provides total solutions to the offshore, marine and energy industry through its global network of shipyards and offices. KOM has a wide range of capabilities such as design and engineering, new builds, conversions and repairs, and support services. Besides Singapore, KOM also operates shipyards and facilities in Brazil, China, Japan, the Philippines, and the United States.
7. The Parties provide shipbuilding (including commercial vessel conversions) and ship repair services at their Singapore shipyards.

CCCS's Assessment

8. CCCS conducted a public consultation from 2 August 2022 to 15 August 2022 and contacted more than 90 stakeholders, including competitors and customers. CCCS received feedback from more than 20 stakeholders. CCCS also engaged relevant government agencies to gather information necessary for CCCS's assessment of the Proposed Acquisition.

Relevant Markets Affected by the Proposed Acquisition

9. CCCS found that from the customer's perspective, there are no close substitutes between the different types of commercial vessels. This is similarly the case between the different types of ship repair services. However, shipyards can, to some extent, build different types of commercial vessels as the main materials, equipment and dry docks to do so are common; and the use of subcontractors allows shipbuilders to construct different types of commercial vessels in response to market demand. Similarly, in the supply of ship repair services, the majority of repair services across different types of commercial vessels and the resources required are common.

10. CCCS determined that it is not necessary to conclude on a precise definition of the relevant markets, as it does not affect the competition assessment of the Proposed Acquisition. CCCS considered the following relevant markets in its assessment of the Proposed Acquisition:
- a) The global supply of Commercial Vessels (“**Commercial Vessels Market**”); and
 - b) The regional supply of ship repair services, based on trade routes (“**Ship Repair Market**”).

Competition Assessment

11. CCCS found that the Proposed Acquisition is unlikely to lead to a SLC in Singapore for the following reasons:
- a) In relation to the Commercial Vessels Market, there are many strong competitors globally, such as shipbuilders in China, South Korea and Japan, which customers can easily switch to. This is the case even for specific commercial vessel types¹ where the Parties may compete closely with each other.
 - b) In relation to the Ship Repair Market, the presence of competitors regionally, such as in China, South Korea and Middle East, would exert competitive constraint on the Parties. Further, customers can switch between alternative shipyards located along the trading routes plied by the commercial vessels. This is the case even for specific commercial vessel types² where the Parties may compete closely with each other.
 - c) The Parties are unlikely to have the ability to exert their purchasing power to depress prices of inputs below the competitive level, such that the overall supply of the inputs in the market is reduced, following the Proposed Acquisition. The practice of negotiating for the best prices and terms is a natural feature of an efficient, competitive and well-functioning market. Given their market shares, the Parties are unlikely to enjoy significant bargaining power vis-à-vis specialised

¹ Third party feedback indicated that the Parties are close competitors in the (a) supply of newbuild Liquefied Natural Gas (“**LNG**”) bunkering vessels; (b) supply of converted Floating Product, Storage and Offloading (“**FPSO**”) vessels; and (c) supply of converted Floating Storage and Regasification Vessels (“**FSRU**”) vessels.

² Third party feedback indicated that the Parties are close competitors in the (a) repair services for LNG vessels; and (b) repair services for Very Large Crude Carriers.

subcontractors³. Subcontractors offering basic and undifferentiated services may overcome greater pressure pricing and contract terms by diversifying their customer base beyond the shipping industry, offering more specialised services or supplying overseas.

- d) The Parties are unlikely to have the ability to exert their purchasing power to foreclose competitors' access to specialised inputs⁴. The suppliers for specialised inputs have a diverse customer base, including larger competing shipyards overseas. Commercial vessel owners may also directly procure the specialised inputs through master service agreements with the suppliers for use by their selected shipyards.
- e) Lastly, the Parties are unlikely to have the ability to foreclose competition for the supply of an adjacent or complementary service. CCCS noted that as an industry practice, shipyards currently do not bundle or tie ship repair services with adjacent or complementary services.

12. Further information on the notification and CCCS's Grounds of Decision will be made available in due course on [CCCS's Public Register](#) at www.cccs.gov.sg.

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³ Specialised subcontractors refer to original equipment manufacturers or third-party suppliers of different specialised parts, specialised engineering services and specialised equipment required for certain shipbuilding or ship repair services.

⁴ For example, different specialised parts (e.g. engines, propellers and combustion systems), specialised engineering services and specialised equipment required for certain ship repair services.

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 2004 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 2003 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 businesses and consumers in Singapore.

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

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