



MEDIA RELEASE

25 May 2018

CCCS PROVISIONALLY FINDS THAT PROPOSED MERGER IS LIKELY TO SUBSTANTIALLY REDUCE COMPETITION BETWEEN MARITIME PRODUCTS SUPPLIERS

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) has issued a Statement of Decision (Provisional) (“**SDP**”) to Wilhelmsen Maritime Services AS (“**WMS**”) and Drew Marine’s technical solutions, fire, safety and rescue businesses (“Drew Marine Technical Solutions” or “**DMTS**”).¹ CCCS’s provisional decision finds that the proposed acquisition by WMS of sole control over DMTS (the “**Proposed Transaction**”) is likely to result in a substantial lessening of competition in the market for the supply of marine water treatment chemicals (including ancillary materials and services)² in Singapore, thereby infringing section 54 of the Competition Act (Cap. 50B) which prohibits anti-competitive mergers.

Background

2. On 10 August 2017, CCCS received a notification for decision on whether the Proposed Transaction would infringe the section 54 prohibition. WMS and DMTS overlap in the supply of marine chemicals (marine cleaning chemicals, marine water treatment chemicals and marine fuel oil treatment chemicals), marine gases (marine welding gases and marine refrigerant gases) and marine welding equipment.

3. The Phase 1 review of the Proposed Transaction was completed on 29 September 2017. Based on information furnished by the WMS and DMTS (collectively the “**Parties**”) and third party feedback, CCCS was unable to conclude that the Proposed Transaction would not raise competition concerns.³ The Proposed Transaction proceeded to a Phase 2 review on 27 October 2017, following CCCS’s receipt of the Parties’ Form M2 and other relevant documents.

¹ Drew Marine is comprised of Drew Marine Group Coöperatief U.A. and Drew Marine Partners L.P.

² Marine water treatment chemicals are chemicals used to treat and protect vessels’ on-board water systems, and are typically used at every key point in the on-board water lifecycle (i.e. from intake, to water production, through water utilization and eventually discharge). Ancillary materials and services are also provided to customers together with the supply of such chemicals, which include product data sheets, safety data sheets, test kits, software for storing and reporting of test results, test logs and equipment, and training of crews and advice on usage of these products.

³ For more information on the Phase 1 review, please refer to CCCS’s [media release](#) dated 9 October 2017 available at CCCS’s website.

CCCS's review of the Proposed Transaction

4. CCCS has provisionally found that the Parties' combined market share in the supply of marine water treatment chemicals in Singapore is substantial. The next largest competitor has less than one-twentieth of the Parties' combined market share. Given the sensitivity of marine equipment,⁴ a consistent and reliable supply of marine water treatment chemicals is particularly critical. The Parties' substantial market position stems from the quality of their global supply networks, including stock availability, consistency, and service and response times. CCCS has found that, in contrast to other suppliers, the Parties are able to supply their products across a wide range of ports globally, and have sufficient stock availability across a range of products that enable them to respond quickly to the delivery needs of their customers' vessels calling at these ports. In addition, the Parties are able to provide strong technical support and ancillary value-added services across their supply networks, and are viewed by customers as having overall reliability in the supply of marine water treatment chemicals.

5. CCCS has also made a provisional finding that the Parties are each other's closest competitor. The closeness of competition between the Parties can be seen from the recent capture of significant market share from WMS by DMTS in the supply of marine water treatment chemicals in Singapore. Further, the Parties' perceptions of each other as set out in their internal strategic documents, customer purchasing data and feedback, as well as the Parties' internal weekly sales reports relating to customer contracts won and lost, support this provisional finding that the Parties are each other's closest competitor.

6. CCCS is of the provisional view that post-Transaction, competitive pressure from existing players in this market (e.g. through bidding for the same customer) will not likely be sufficient, and any potential entry by competitors will also not likely be timely and sufficient in extent to offset the anti-competitive effects of the Proposed Transaction. In addition, given that each customer constitutes a small fraction of the Parties' sales, and self-supply by customers is generally not feasible, customers would not likely be able to counteract the merged entity's ability to raise prices post-Transaction.

7. Considering the above, CCCS has provisionally found that the Proposed Transaction could lead to a substantial lessening of competition in the market for the supply of marine water treatment chemicals in Singapore. In turn, this could lead to higher prices and/or a reduction in choice and quality of supply of marine water treatment chemicals for such customers that require deliveries in Singapore.

Next Steps

8. The Parties now have 10 working days from the receipt of the SDP to make their representations to CCCS. CCCS will then decide whether to issue a favourable or unfavourable decision, after consideration of the representations, as well as all

⁴Marine water treatment chemicals from different brands can be incompatible with each other and mixing chemicals from different suppliers can lead to technical complications such as damage to machinery and equipment on the vessel.

available information and evidence. The Parties may also offer commitments to address the potential competition concerns at any time before CCCS issues its decision at the end of the Phase 2 review.⁵

9. For more information on the merger review process in Singapore, please refer to **Annex 1**.

- 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

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⁵ While WMS had on 12 April 2018 and 27 April 2018 proposed, amongst others, a price cap commitment applicable to marine water treatment chemicals (including ancillary materials and services), with the exception of pool and spa chemicals, and water production chemicals (the “Commitment Proposal”), CCCS found that the Commitment Proposal would not be appropriate or sufficient to address competition concerns arising from the Proposed Transaction in the market for the supply of marine water treatment chemicals in Singapore.

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