

Deal between Prosafe and Floatel raises competition concerns

Both companies supply semi-submersible offshore accommodation support vessels (semi-submersible ASVs) to oil and gas companies. These are used to provide accommodation space for employees working offshore and are a key facility for some types of work in the North Sea; for example, where the water is deep or where weather conditions are harsh and other types of vessel are not suitable.

As part of an in-depth Phase 2 investigation led by an independent group of panel members, the Competition and Markets Authority (CMA) has provisionally found that Prosafe and Floatel are the 2 largest suppliers in the market, owning the vast majority of semi-submersible ASVs operating on the UK Continental Shelf and the Norwegian Continental Shelf. They compete closely with each other and have consistently won the most contracts over time. Aside from the merging businesses, there are limited alternatives available to customers at present.

To understand what the deal could mean for future projects that require a semi-submersible ASV, the CMA engaged with customers, competitors, and other stakeholders including the Health and Safety Executive and the Oil and Gas Authority. The CMA examined strategy documents from the two companies which show how they consider each other to be close competitors. There was also data available on how often the firms compete head to head in bidding for tenders.

Based on the evidence so far, the CMA has provisionally found that the merger may result in a substantial lessening of competition and customers may face higher prices, and/or lower quality when tendering for semi-submersible ASVs.

The CMA is consulting on solutions to these provisional findings and views are invited by 6 February 2020. Its initial view is that blocking the merger may be the only way of addressing these competition concerns.

Kirstin Baker, the Inquiry Chair, said:

“Prosafe and Floatel are the two biggest suppliers of this type of specialist accommodation to oil and gas companies operating in the North Sea. Based on the evidence we have seen so far about a lack of real alternatives to the two firms, we are concerned that companies tendering for staff accommodation in this area would face higher prices, or lower quality offers due to insufficient competition as a result of the merger. Our initial view is that blocking the merger may be the only way of addressing these concerns.”

This is one of several global mergers currently being investigated by the CMA. It has worked with the Norwegian Competition Authority (NCA) on this case as it carried out a separate review into the deal. The NCA's decision to block the merger is currently being appealed to the Norwegian Competition

Tribunal. As the CMA prepares to take on more global mergers alongside other regulators, this kind of global co-operation will become increasingly important.

The CMA's final report will be issued by 23 March 2020.

For more information, [visit the Prosafe SE/ Floatel International Limited merger case page.](#)