

# Press release: Competition concerns for oil and gas engineering services merger

The Competition and Markets Authority (CMA) has been investigating the planned merger of the 2 companies which supply engineering services to the UK's Upstream Offshore oil and gas sector.

At the end of its initial investigation, the CMA has found that the merger could lead to competition concerns in the supply of engineering and construction (E&C) services and operation and maintenance (O&M) services on the UK continental shelf.

This is because the companies currently compete closely with each other, and are 2 of the main suppliers of these services; the merger will reduce the number of major players currently active in these markets from 4 to 3; there are concerns that competition from other suppliers may not be sufficient to mitigate competition worries; and other suppliers seeking to enter the market or expand their UK presence may face significant barriers to doing so.

The Wood Group announced at the start of the CMA's initial investigation that it intended to offer proposals to resolve competition concerns, should any be found. Therefore, the case team looking at the merger has (without prejudice to the outcome of the investigation) worked constructively with the 2 companies involved to shape proposed remedies and provide guidance on whether these would be suitable to address possible competition issues.

The Wood Group has until 9 August 2017 to formalise its final remedies proposal. If it does not formally submit a remedies proposal, or if the remedies offered do not sufficiently address the competition concerns that the CMA has identified, the merger will be referred for an in-depth 'phase 2' investigation.

Kate Collyer, Deputy Chief Economic Adviser and the decision maker in this case, said:

We have consulted widely on the implications of this merger and it is clear that Wood Group and Amec Foster Wheeler have a particularly strong market position in the supply of key services to the Upstream Offshore oil and gas sector in the UK. The merger would, therefore, remove the rivalry between 2 of the 4 main suppliers of these services.

Based on our initial investigation, this could significantly reduce customers' ability to obtain competitive bids, which could lead to increased prices and affect the competitiveness of the oil and gas industry in the UK.

The CMA's team will continue to work constructively with the Wood Group and Amec Foster Wheeler in the assessment of the remedies that they intend to formally offer to address these concerns. This merger will, however, warrant an in-depth investigation, unless the companies offer suitable proposals to address our concerns.

Information relating to this investigation can be found on the [case page](#).

## Notes for editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For more information on the CMA see our [homepage](#) or follow us on Twitter [@CMAgovuk](#), [Flickr](#) and [LinkedIn](#). Sign up to our [email alerts](#) to receive updates on merger cases.
2. Under the Enterprise Act 2002 (the Act) the CMA has a duty to make a merger reference, resulting in an in-depth phase 2 merger investigation, if the CMA believes that it is or may be the case that a 'relevant merger situation' has been created, or arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and that the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.
3. Under the Act a 'relevant merger situation' is created if 2 or more enterprises have ceased to be distinct enterprises; and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million ('the turnover test') or as a result of the transaction, in relation to the supply of goods or services of any description, a 25% share of supply in the UK (or a substantial part of the UK) is created or enhanced ('the share of supply test').
4. Under paragraphs 8.7 and 8.8 of the [CMA's Mergers – Jurisdiction and Procedure Guidance](#), the merger parties can engage with the CMA's case team on remedies prior to any decision for reference. However, the case team is not able formally to agree with the parties whether a particular package of undertakings in lieu would or would not be sufficient. This is because the final decisions on whether, first, the duty to refer arises and, (if it does) second, whether to accept undertakings in lieu are not to be pre-judged and remain with the phase 1 decision maker.
5. The CMA considers that it is under a duty to make a phase 2 merger reference in this case under the Act. However, the duty to refer is not exercised while the CMA is considering whether to accept undertakings in lieu of a reference. The Wood Group have until 9 August to offer undertakings that might be accepted by the CMA. If no undertaking is offered or accepted, then the CMA will refer the merger for a phase 2 merger investigation.
6. All the CMA's functions in phase 2 merger investigations are performed by inquiry groups chosen from the CMA's panel members. The appointed inquiry group are the decision makers on merger investigations. The

CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an inquiry group usually reflects a mix of expertise and experience (including industry experience).

7. The text of this decision will be placed on the [case page](#) in due course.
8. Media enquiries should be directed to [beatrice.cole@cma.gsi.gov.uk](mailto:beatrice.cole@cma.gsi.gov.uk), 020 3738 6472.

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## **[News story: Manchester seminar – Justice devoluton: delivering better justice through justice reinvestment](#)**

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## **[Press release: Corporate report July 2017 – Stakeholder response](#)**

**Martin McTague, Policy Director OF THE Federation of Small Businesses (FSB), said:**

“Our latest Small Business Index (SBI) highlighted that one in five FSB members see regulation as one of the major barriers to their businesses growth.

“This puts an even greater burden on the RPC in independently assessing the impact and benefits of proposed regulation that can negatively impact small businesses.

“The FSB continues to be the leading voice in championing the great work the RPC does. In particular, its efforts to hold those Government Departments, which produce new regulation, to account by improving the quality of Regulatory Impact Assessments.

“We hope that Government continues to value the role of the RPC by ensuring that it is sufficiently resourced and at the heart of improving the regulation agenda.”

**Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:**

“In this period of significant transition and change, it is vital that any regulatory changes which impact the UK’s business communities are justified and rational.

“The Regulatory Policy Committee plays a crucial role in providing scrutiny, a task that will only grow in importance as we embark on the UK’s withdrawal from the EU. Government departments must be extremely careful in making and implementing regulatory changes which may have unintended consequences. In this time of uncertainty, businesses need as much regulatory continuity as possible to sustain confidence and investment.”

**Frances O’Grady, General Secretary of the TUC said:**

“We welcome this report. Once again the RPC is showing that the issue is not about what we regulate or deregulate, it’s about how we can make the system for all of society. That means that we need to gain a consensus for strong, effective regulation that is enforced appropriately and having a body such as the RPC to oversee the process is invaluable”. Terry Scouler Chief Executive of EEF, the manufacturers’ organisation, said:

“The critical work of the committee is particularly important as we prepare to leave the EU and as the effectiveness of regulatory regimes come under greater scrutiny. Good regulation is important for business and society. As this report highlights, independent scrutiny to ensure all red tape is fit for purpose and achieves the right outcomes is as important now as it ever was. I’d like to congratulate the committee and its chairman on the progress they have made.”

**Rain Newton-Smith, CBI Chief Economist, said:**

“The Regulatory Policy Committee continues to play a crucial role in holding government to account on its deregulatory commitments – a key issue for the CBI and many of our members. Thanks to its scrutiny, businesses can be confident that regulation is grounded in a strong evidence base.”

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## **[Press release: Multi-million fund reaches record number of adoptive families](#)**

A fund launched to help struggling families who adopt some of the country’s most vulnerable children has reached almost 18,000 homes, providing much-

needed emotional support.

Announcing the success of the Adoption Support Fund on Wednesday (2 August), Minister for Children and Families Robert Goodwill also confirmed that a further £5 million will be invested in a number of innovative projects across the country, designed to improve families' experiences of adoption.

It is part of a government drive to deliver the best possible services for vulnerable children.

Robert Goodwill, Minister for Children and Families, said:

Every parent wants their child to grow up feeling loved and understood, and anyone with the commitment and compassion to adopt a child should have the backing of a strong support network. We know that caring for these young people, particularly those with more complex needs, can be a struggle at times.

With the right therapeutic support, children and families will be able to embrace the new life ahead of them, and I'm delighted that the Adoption Support Fund has supported so many thousands of people already, as part of our plan for a fairer society.

The Adoption Support Fund, launched across England in May 2015, pays for care that helps children to settle in with their adoptive families. This support can include:

- cognitive therapy;
- play and music therapy; and
- parenting skills training.

In total, £52 million has been released through the fund so far, reaching 22,000 children and 18,000 families. Many more families stand to benefit, as the government has increased the fund to £28 million in 2017/18.

The announcement comes as an independent report shows that parents believe access to the fund has improved their lives, including through improved child behaviour and mental health.

Lorna Sandbach, along with her family, is one of those to benefit from the fund. When Lorna and her husband adopted siblings, they were 14-months and two-years-old respectively, and had experienced extreme trauma in their early lives that they still remember clearly. When Lorna's eldest began reception last year he struggled to settle in.

The family found out about the fund and after initial assessments with a child psychiatrist, they began a year of therapy.

Lorna Sandbach, Adoption Support Fund recipient, said:

It has been life-changing. My daughter is letting us love her in a way she never did. At first, she was terrified, and now she trusts that we will come back for her at the end of the school day. Before, my son would not talk because he didn't feel confident – but now that's started to change. He is forming friendships and fitting in.

The 16 projects funded through the Practice and Improvement Fund include three Regional Adoption Agencies, which will develop new Centres of Excellence for adoption support. They will bring together social care, health and education experts to provide a co-ordinated assessment and support offer for families.

These Centres of Excellence will be based in:

- Hertfordshire;
- Stockport; and
- North East Lincolnshire.

The Government is continuing to implement Regional Adoption Agencies (RAAs) across the country, to bring about long-term improvement to the adoption system. There are now three RAAs operating in England – One Adoption West Yorkshire, Aspire Adoption and Adoption Counts.

Notes to editors

- Read more about the Adoption Support Fund [here](#).
- Read more about the Practice and Improvement Fund [here](#).
- Link to the [Adoption Support Fund evaluation publication](#).
- In 2016 a fair access limit was introduced to enable the Adoption Support Fund to be distributed more fairly, and allow more families to benefit. In April this year the Government began providing an additional £2,500 to go towards specialist assessments, in addition to the fair access limit of £5,000 for therapy.
- For more information and interview requests contact the Department for Education on 020 7783 8300.

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## **[News story: New and novel healthcare solutions: apply for innovation funding](#)**

Up to £12 million is on offer to UK businesses for projects that support the development of healthcare technologies and processes.

Innovate UK and the [Medical Research Council](#) (MRC) are to invest up to £12 million in new and novel healthcare solutions.

There are 2 competitions for UK micro, small and medium-sized enterprises (SMEs) in the latest round of the Biomedical Catalyst. These are for feasibility and early stage projects.

## What we are looking for

We are looking to support the development of innovative healthcare technologies and processes such as:

- disease prevention and proactive management of health and chronic conditions
- earlier and better detection and diagnosis of disease, leading to better patient outcomes
- tailored treatments that either change the underlying disease or offer potential cures

### Feasibility studies

These are for exploring and testing the commercial potential and feasibility of ideas. Up to £2 million is available.

### Early-stage projects

These are for testing a well-developed concept and showing its effectiveness in a relevant environment. Up to £10 million is available.

## About the Biomedical Catalyst

The Biomedical Catalyst is a partnership between Innovate UK and the MRC. It aims to support the most innovative life sciences opportunities regardless of the scientific approach. It also wants to de-risk academia and industry being able to take forward innovative scientific ideas.

## Competition information

- the competitions are open, and the deadline is midday on Wednesday 11 October 2017
- you could get up to £200,000 for feasibility studies lasting up to 1 year
- you could get between £250,000 and £4 million for early-stage projects lasting between 1 and 3 years
- you can work alone or in collaboration with other businesses or research organisations, but to lead a project you must be a UK-based SME
- you can [watch the recording of the briefing event](#) to help with your application