

Appendices and glossary

Appendices

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Glossary

Appendix A: Terms of reference and conduct of the inquiry

Terms of reference

1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 (the Act) the Competition and Markets Authority (**CMA**) believes that it is or may be the case that:
 - (a) a relevant merger situation has been created, in that:
 - (i) enterprises carried on by CHC Group LLC (including Mr Levy and EEA Helicopter Operations B.V.), as well as Bain Capital Credit, LP and funds and accounts advised by or affiliated with Cross Ocean Partners Management LP or Cross Ocean Adviser LLP (as common unit holders of CHC) have ceased to be distinct from enterprises carried on by Offshore Helicopter Services UK Limited, Offshore Services Australasia Pty Ltd and Offshore Helicopter Services Denmark A/S; and
 - (ii) the condition specified in section 23(1)(b) of the Act is satisfied; and
 - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including the supply of helicopter services to transport crews to and from offshore oil and gas platforms in the United Kingdom.
2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 15 May 2022, on the following questions in accordance with section 35(1) of the Act:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether 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.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
29 November 2021

Conduct of the inquiry

3. We published the biographies of the members of the Inquiry Group conducting the phase 2 inquiry on the [inquiry webpage](#) on 29 November 2021 and the administrative timetable for the inquiry was published on the [inquiry webpage](#) on 8 December 2021.
4. On 16 December 2021, we published an issues statement on the [inquiry webpage](#), setting out the areas on which the inquiry would focus.
5. On 5 January 2022, members of the Inquiry Group and CMA staff attended separate virtual 'site visits' with CHC and Fisher and their advisers. The site visits were held via MS Teams because of Coronavirus (COVID-19) and the Government's associated guidelines.
6. We invited a wide range of interested parties to comment on the Merger. We conducted six interviews, with customers and competitors of the Parties, as well as potential entrants and the CAA, via MS Teams. Evidence was also obtained from third parties using questionnaires and information requests. Our approach to third party evidence and description of the third-party evidence we considered is set out in Appendix E. We also used evidence from the CMA's phase 1 investigation into the Merger.
7. We received written evidence from the Parties in the form of submissions and responses to information requests (including by issuing notices under section 109 of the Act). A non-confidential version of their response to the issues statement is published on the [inquiry webpage](#). We also received a large number of internal documents from the Parties, as set out in Appendix F of the provisional findings report.
8. The CMA received confidentiality waivers from the Parties to share information with the Australian Competition and Consumer Commission (**ACCC**). Throughout the inquiry the CMA has cooperated with the ACCC, which is also investigating this Merger.
9. We held separate main party hearings with the Parties on 10 February 2022 and 11 February 2022.
10. In advance of those hearings, we provided to the Parties an annotated issues statement and a number of working papers for comment setting out our emerging thinking. We also provided the Parties and third parties with extracts from our working papers for comments on accuracy and confidentiality. The Parties provided comments on our working papers and annotated issues statement on 17 February 2022.

11. The [Initial Enforcement Order](#) issued in phase 1 remains in force.
12. A non-confidential version of the provisional findings report has been published on the [inquiry webpage](#). As we have provisionally concluded that the completed merger has resulted in the creation of a relevant merger situation, and that the creation of that situation has resulted, or may be expected to result, in an SLC, a notice of possible remedies has also been published on the [inquiry webpage](#). Interested parties are invited to comment on both of these documents.
13. We would like to thank all those who have assisted us in our inquiry to date.

Appendix B: Financial position of the Fisher Business in the context of the counterfactual

1. This appendix sets out information on the financial position of the Fisher Business, in particular in the context of the counterfactual.

Financial position of the Fisher Business

2. In this section we set out the financial position of each of the three businesses that together form the Fisher Business. This helps inform our assessment of Babcock's commercial incentives and hence its strategy for operating the business, ie whether it may have closed for strategic reasons or sold the Fisher Business to another interested purchaser.

Offshore UK

3. First, we present Offshore UK's financial results for the years to 31 March 2018 to 2020.

Table 1: Key financial metrics, Offshore UK – statutory basis – year to 31 March 2018, 2019 and 2020

	<i>Unit</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Revenue	£m	129.7	133.7	102.0
Cost of sales	£m	(112.8)	(120.9)	(90.0)
Gross profit	£m	16.9	12.8	12.0
Gross margin	%	13.0	9.6	11.8
Operating profit	£m	3.8	(2.9)	(16.2)
Operating margin	%	2.9	(2.2)	(15.9)
Profit before tax	£m	4.4	(2.9)	(21.8)
Taxation	£m	(1.0)	0.2	1.1
Profit after tax	£m	3.4	(2.7)	(20.7)

Source: CMA analysis of Offshore UK statutory accounts.

4. As shown in the statutory accounts set out at Table 1, Offshore UK was profitable at an operating and net level in 2018, with operating profit of £3.8 million and net profits before tax of £4.4 million. However, this deteriorated in 2019 and 2020, with operating losses of £2.9 million and £16.2 million and net losses of £2.7 million and £20.7 million respectively.¹
5. The Offshore UK statutory financial information demonstrates that Offshore UK has been more profitable at an underlying level.² The most recent 2020

¹ We have also reviewed management accounts which set out a bottom-line financial position which is generally in line with the statutory accounts. However, based on changes in cost allocations over time, they are not sufficient to provide a consistent view of profitability over time, and so we have focused our review for the counterfactual on statutory data.

² Underlying profit is a metric calculated internally by the business to present a more accurate picture of the business's financial performance on a consistent year-on-year basis.

accounts show an underlying operating loss of £6.0 million; however Offshore UK earned positive underlying operating profits for the four years prior to that.³

- In addition to considering statutory information, we obtained a breakdown of management accounts on a consistent basis from 2018 to 2021.

Table 2: Offshore UK Profit and Loss for 2018 to 2021 based on internal management accounts

	(£000)			
	2018	2019	2020	2021
Revenue	[X]	[X]	[X]	[X]
Direct costs	[X]	[X]	[X]	[X]
<i>Including lease costs</i>	[X]	[X]	[X]	[X]
Gross profit / (loss)	[X]	[X]	[X]	[X]
Overheads	[X]	[X]	[X]	[X]
<i>Including group management IT charges</i>	[X]	[X]	[X]	[X]
<i>Including central management recharges</i>	[X]	[X]	[X]	[X]
Operating profit / (loss) – EBIT	[X]	[X]	[X]	[X]
Other income / (expense)	[X]	[X]	[X]	[X]
Net profit / (loss)	[X]	[X]	[X]	[X]

Source: CMA analysis of Offshore UK, 'FY18 to FY21 Management Accounts', submitted 14 January 2022.

- As set out at Table 2, on a management accounting basis (with consistent cost allocations over time), the Offshore UK business earned [X] £[X] million in 2018 and £[X] million in 2019 but [X] of £[X] million in 2020 and £[X] million in 2021.
- We compared the management recharges against the overheads incurred by Offshore UK as set out in Table 2 above and noted that a significant proportion of overhead costs incurred by the Offshore UK relate to the management fees paid by Offshore UK to the wider Babcock Group. In 2018, the management fee paid to Babcock represented [X]% of Offshore UK's total overheads, increasing to [X]% in 2019, [X]% in 2020, and [X]% in 2021.
- In addition to considering the profit and loss side of Offshore UK's operations, we also reviewed the most recent statutory balance sheet information. Offshore UK's accounts for the year ended 31 March 2020 were the first to recognise the new accounting standard, IFRS 16 (Leases) (**IFRS 16**).⁴ As a result of the accounting standard change, Offshore UK brought operating leases for assets such as helicopters on to the balance sheet for the first time.

³ See Offshore UK Annual Reports for 2016 to 2019: [OFFSHORE HELICOPTER SERVICES UK LIMITED filing history - Find and update company information - GOV.UK \(company-information.service.gov.uk\)](#).

⁴ [International Financial Reporting Standards Foundation, IFRS 16 Leases](#). IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The object of the standard is to 'report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. See: [International Financial Reporting Standards Foundation, IFRS 16 Leases](#).

This was structured such that a long-term lease liability was recognised to account for the outstanding lease value payable, while a ‘right-of-use’ asset was brought on as a non-current asset, to recognise the business’s right to use the asset (eg a helicopter). A current liability was also be recognised, to account for the lease value payable in the next 12 months.⁵ As a result, balance sheet information for years prior to 2020 is not directly comparable to that following 2020, when the new accounting standard had been recognised.

10. As such, we present the most recent 2020 balance sheet information in Table 3 below, as set out in Offshore UK’s Annual Report for the year to 31 March 2020. We do not include the prior year figures for 2018 and 2019 as they are not prepared on a comparable basis.

Table 3: Offshore UK – Statutory Balance Sheet as at 31 March 2020

	(£m)
	2020
Non-current assets	97.7
Current assets	43.1
Current liabilities	(57.6)
Net current assets / (liabilities)	(14.5)
Total assets less current liabilities	83.2
Long-term liabilities	(87.0)
Net assets / (liabilities)	(3.9)
Equity	(3.9)

Source: CMA analysis of Offshore UK 2020 statutory accounts.

11. As shown in Table 3 , Offshore UK was in a net liability position as at 31 March 2020, with total liabilities being £3.9 million greater than total assets. On this basis, the business did not have sufficient assets to cover the liabilities due.
12. Offshore UK noted in its 2020 Strategic report that the change from a net current asset position in 2019 to a net current liability position in 2020 was principally driven by the transition to IFRS 16 which has meant recognising £24.2 million of lease liabilities in current liabilities, while also recognising the corresponding right-of-use assets in non-current assets. It explained that this was merely a change in accounting standard and did not reflect a change in the performance or position of the business.⁶
13. Similarly, on a total asset/(liability) basis, the report noted that the change from a net asset position in 2019 to a small net liability position in 2020 was driven by both exceptional costs and the underlying performance of the

⁵ Note that IFRS 16 was generally regarded as resulting in an increase in a company’s net debt and EBITDA (see: [IFRS-1-brochure-V9.pdf \(deloitte.com\)](#), page 4). An increase in net debt will, in turn, generally mean that a business will see an increase in its liabilities. Therefore, it is not surprising that Offshore UK has seen an increase in its net liability position following the adoption of IFRS 16.

⁶ [Offshore Limited Annual Report for the year ended 31 March 2020, Strategic report](#), page 3.

Company in 2020. Offshore UK noted that the purpose of the exceptional costs was to 'better align the Company with the market' and 'put the Company in a stronger position and improve future financial performance'.⁷

14. On this basis, we are of the view that Offshore UK's change to a net liability rather than net asset position in 2020 was not reflective of an overall decline in operating performance, rather a change in the accounting standard which had a significant impact on a business which is heavily reliant on high value leased assets.
15. We also considered the narrative in Offshore UK's most recent 2020 financial information. In its 2020 Strategic report (dated 15 January 2021), Offshore UK noted that it benefits from being part of the larger Babcock group with support to enhance fleet capability, leverage of both fleet finance and procurement activities and the overall strength of the Group.⁸ This was supported by the Directors' report (also dated 15 January 2021) which noted that the directors considered the Company to be a going concern after taking into account that a fellow group company, Babcock Defence and Security Investments Limited, had provided a letter of support for at least 12 months from the date of signing the financial statements.⁹
16. More broadly, the 2020 Offshore UK Strategic report stated that the directors were confident about the future trading prospects of the Company due to its current order book and market opportunities.¹⁰ The Directors' report noted that Offshore UK had undertaken a strategic review of its operating model as part of a wider project performed across the Group and made a number of changes to reduce its cost base and approach to considering new business opportunities. Further, it noted that the Brexit transition period had completed, giving more certainty, and that recent contract wins would improve the future profitability of Offshore UK.¹¹ This was supported by Offshore UK's auditors, PwC, who did not report by exception any concerns relating to going concern in its review of the Annual Report to 31 March 2020.¹²

Offshore Australia

17. Table 4 sets out the key financial metrics for Offshore Australia for the financial periods ending 31 March 2018 to 31 March 2021.

⁷ Offshore Limited Annual Report for the year ended 31 March 2020, Strategic report, page 3.

⁸ Offshore Limited Annual Report for the year ended 31 March 2020, Strategic report, page 2.

⁹ Offshore Limited Annual Report for the year ended 31 March 2020, Directors' report, page 8.

¹⁰ Offshore Limited Annual Report for the year ended 31 March 2020, Strategic report, page 3.

¹¹ Offshore Limited Annual Report for the year ended 31 March 2020, Directors' report, page 8.

¹² Offshore Limited Annual Report for the year ended 31 March 2020, Auditors' report, pages 9 and 10.

Table 4: Key financial metrics, Offshore Australia – year to 31 March 2018 to 2021

	<i>Unit</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Revenue	£m	34.1	43.2	45.3	57.4
Cost of sales	£m	(30.6)	(38.4)	(31.8)	(51.9)
Gross profit	£m	3.5	4.9	13.5	5.4
Gross margin	%	10.4	11.2	29.8	9.5
EBITDA	£m	(1.6)	(5.1)	n/a	n/a
EBITDA margin	%	(4.6)	(11.8)	n/a	n/a
EBIT	£m	(3.7)	(9.7)	n/a	n/a
EBIT margin	%	(10.8)	(22.4)	n/a	n/a
Operating profit / (loss)	£m	(3.7)	(9.7)	5.7	(10.2)
Operating margin	%	(10.8)	(22.4)	12.5	(17.8)
Net profit / (loss) before tax	£m	(4.6)	(10.7)	1.9	(13.4)

Source: CMA analysis of the Parties' data.

Note:

Statutory accounts provided in Australian dollars. Converted to GBP utilising the average AUD – GBP exchange rate for the years to 31 March 2018 (0.583577), 2019 (0.555408), 2020 (0.536250) and 2021 (0.548963) as detailed on [Oanda.com](https://www.oanda.com) (accessed 30 December 2021).

Data for 2020 and 2021 is not detailed enough to include interest, tax, depreciation, amortisation nor operating lease costs. As such, EBITDA and EBIT metrics cannot be provided for 2020 and 2021.

18. Prior to 2020, Offshore Australia was in a loss-making position at the operating profit/(loss) level, earning losses of £3.7 million and £9.7 million in 2018 and 2019 respectively. In 2020, Offshore Australia increased its gross margins which in turn allowed for an operating profit of £5.7 million. However, by 2021 its gross margins had reduced again, resulting in a corresponding deterioration to an operating loss position of £10.2 million.
19. We also considered Offshore Australia's statutory balance sheet position as at 30 March 2020.

Table 5: Offshore Australia – Statutory Balance Sheet as at 31 March 2020 and 2021

	<i>(£)</i>	
	<i>2020</i>	<i>2021</i>
Non-current assets	60.5	53.1
Current assets	17.2	22.6
Current liabilities	(45.6)	(46.2)
Net current assets / (liabilities)	(28.4)	(23.6)
Total assets less current liabilities	32.1	29.5
Long-term liabilities	(43.6)	(46.1)
Net assets / (liabilities)	(11.5)	(16.6)
Equity	(11.5)	(16.6)

Source: CMA analysis of Offshore Australia 2020 and 2021 statutory accounts.

Note: Statutory accounts provided in Australian dollars. Converted to GBP utilising the AUD – GBP exchange rate for the 2020 (0.49612) and 2021 (0.55414) as detailed on [Oanda.com](https://www.oanda.com) (accessed 7 January 2022).

20. As at 31 March 2020, Offshore Australia was in a net current liability position, with £28.4 million more liabilities falling due in the next 12 months as compared to assets. Similarly, it was in a total net liability position of £11.5 million. The business therefore did not have sufficient assets to cover the liabilities falling due. By 31 March 2021, Offshore Australia had decreased its net current liability position by £4.8 million to £23.6 million. However, its overall net liability position increased by £5.1 million to £16.6 million. Therefore, for the past two financial years, the business did not have sufficient assets to cover the liabilities falling due.

21. The most recently available accounts to 31 March 2021 demonstrate that Offshore Australia received a letter of support from Babcock Overseas Investments Limited confirming that it would not seek repayments of intercompany balances for a period of 12 months from the date of the approval of the company's financial statements, being 13 August 2021. Further, it was confirmed that the parent company would provide financial support in the event that Babcock Offshore Services Australasia Pty Ltd was not able to meet its obligations as and when they fall due.
22. The Offshore Australia business is currently in a [✂] cash position than Offshore UK and is expected to continue to be so at least over the short-term forecasting period.

Offshore Denmark

23. Offshore Denmark began operating in January 2021. The business began operating to service the contract with Total which began in July 2020 and was shared between the Offshore UK and Offshore Denmark businesses. The entity therefore had no financial results at the 'accounts date' of the SPA and so no consideration has been given to the financial position of the Danish entity at the time of the Merger.

Appendix C: Capacity and early termination of contracts

1. This appendix sets out information on the four incumbent suppliers' capacity to serve new contracts. Given that some capacity may become free as a result of customers ending contracts, we also set out evidence on the prevalence of early termination clauses in customer contracts and any penalties that might be incurred as a result.
2. We note that while there are only four suppliers currently offering O&G Offshore Transportation Services in the UK, there are a number of potential suppliers. We have considered the constraint from these in Chapter 6.

Capacity

3. We asked the four incumbent suppliers to explain their capacity, ie how many unallocated aircraft they have which can be used for new customer contracts.
4. CHC told us that of its fleet, there are [redacted] unallocated aircraft.¹ CHC [redacted] for a variety of operational reasons, including [redacted]. Some aircraft are used for [redacted].²
5. The Fisher Business told us of its UK aircraft, [redacted] are currently allocated to contracts.³ Of these [redacted]:
 - (a) [redacted] aircraft leases end before the contract end date;
 - (b) [redacted] aircraft leases end after the contract end date; and
 - (c) [redacted] aircraft leases end at the same time as the contract end date (these [redacted] aircraft are allocated to the O&G SAR contract).
6. Of its remaining [redacted] UK aircraft, the Fisher Business told us these are either [redacted]. The Fisher Business noted that aircraft assigned as 'back-up' could be used to service new work; however the purpose of retaining 'back-up aircraft' is to mitigate the risk of contractually allocated aircraft being unserviceable and thus not being able to continue delivery of service for the customer. Some customer contracts demand [redacted]. So, to use [redacted] reduces the Fisher Business' [redacted]. Therefore, the Fisher Business [redacted].
7. The Fisher Business told us it [redacted]. Accordingly, it [redacted]. Even with the best technical planning of the fleet, it is a certainty that an aircraft will develop a technical fault at some time during a flying day. Accordingly, [Offshore UK]

¹ See Appendix F for information on CHC's recent [redacted] strategy.

² CHC told us that following the Merger, [redacted].

³ We note that the Fisher Business told us it currently has 20 O&G aircraft, which it expects [redacted].

[REDACTED]. The Fisher Business told us it considers this to be a '[REDACTED]'. Accordingly, [Offshore UK] '[REDACTED]'. The Fisher Business told us it considers this to be a '[REDACTED]'.

8. The Fisher Business told us that of the aircraft it has in the UK:
 - (a) [REDACTED] H175s: [REDACTED] allocated to customers; [REDACTED] allocated to base maintenance and [REDACTED] at Airbus for a substantial repair/rectification process. The aircraft allocated as base maintenance [REDACTED] supplied and paid for by Airbus to facilitate a maturity modification programme across the H175 fleet. Under the terms of the arrangement, this aircraft cannot be allocated directly to a customer contract on a permanent basis; it can only be used to substitute for another aircraft undergoing the modification programme. The aircraft undergoing substantial repair/rectification is undergoing a modification which is likely to complete in mid-2023 and will remain provided by Airbus until this modification is complete.
 - (b) [REDACTED] S92As: [REDACTED] allocated to customers; [REDACTED] allocated to base maintenance; [REDACTED] to back-up capacity; [REDACTED]; and [REDACTED] allocated to [REDACTED].
 - (c) [REDACTED] AW139: [REDACTED] aircraft [REDACTED] unallocated.
9. We note that of Fisher Business' aircraft used for UK O&G Offshore Transportation Services, [REDACTED].⁴ [REDACTED] of these [REDACTED].
10. Bristow told us from H1 2017 to H2 2020 its fleet was on average utilised [REDACTED]% for S92s, [REDACTED]% for AW139s and [REDACTED]% for AW189s. Bristow told us it has a [REDACTED] utilisation for its S92s as [REDACTED]. Comparatively, its AW139 aircraft [REDACTED]. The AW189 [REDACTED].
11. Bristow told us it allocates aircraft as back-up capacity as follows:
 - (a) For its Central North Sea and Northern North Sea operations in Aberdeen ([REDACTED] S92 aircraft): (a) [REDACTED] aircraft as operational maintenance back-up (to support planning assumptions that it will always have [REDACTED] aircraft undergoing heavy maintenance checks); and (b) [REDACTED] aircraft as operational aircraft (allowing it to manage unplanned daily operational technical issues).
 - (b) In Norwich, for its AW139 fleet ([REDACTED] aircraft): (a) it allocates [REDACTED] aircraft as operational maintenance back-up (to support planning assumptions that it will always have [REDACTED] aircraft undergoing heavy maintenance

⁴ [REDACTED] S92, [REDACTED] H175s..

checks); and (b) [REDACTED] aircraft as operational aircraft (allowing it to manage unplanned daily operational technical issues).

12. With respect to true spare capacity (not operational back-up ie aircraft not on contract), Bristow currently has [REDACTED] idle aircraft in the UK ([REDACTED]).
13. Bristow told us the utilisation for the Central and Northern North Sea are believed to be similar across all operators. Since 2017, as the number of contracts Bristow supports has declined ([REDACTED] contracts in 2017 versus [REDACTED] contracts in 2021), it has reduced this level of operational back-up to its current level. Assuming current market conditions are unchanged, Bristow expected utilisation to be the same or declining in the next three to five years. Bristow also told us the leasing market is buoyant and there is spare capacity, allowing operators to lease at short notice.
14. NHV told us that it operates on 100% capacity, and that it factors in unexpected technical issues and scheduled maintenance as part of this. NHV routinely allows for [REDACTED] aircraft on the ground for scheduled maintenance work and this is also priced into NHV's models to protect against the risk of having unused aircraft. [REDACTED]. [REDACTED]. It told us that it has always operated at or close to 100% utilisation since 2017, and that while there was more capacity in the market in 2017, this has been reduced considerably by multiple major operators shedding spare capacity while in Chapter 11. NHV also told us that if a customer requested an extra aircraft from NHV and it was unable to provide this, [REDACTED]. It said none of the operators have spare capacity beyond the capacity required to service its existing contracts.
15. We asked lessors how the demand for lessor helicopters to provide UK O&G Offshore Transportation Services has changed in the past five years. We received mixed responses, with two lessors telling us there had been no significant change in their demand, while one lessor told us there had been a reduced demand for lessor helicopters, leading to excess capacity.
16. Lessors told us that leases for their helicopters do not typically have the option for early termination, or they include fees for doing so. Two lessors told us that Chapter 11 proceedings had involved some helicopters being returned to them:
 - (a) [REDACTED] purchased [REDACTED] assets out of [REDACTED], which itself had followed CHC and Bristow returning helicopters to [REDACTED] in their own respective bankruptcy proceedings.
 - (b) [REDACTED] had CHC return aircraft following Chapter 11, [REDACTED].

Early termination of contracts

17. Some customer contracts involve early termination clauses ‘for convenience’, of which a sub-set contain penalties for the customer in case of early termination. We asked the Parties and the other two incumbent suppliers how frequently customer contracts have early termination clauses, and what the notice periods for these are. We also asked them about any penalties for early termination.
18. Fisher Business provided us information on its [redacted] core UK contracts⁵ and told us that of these, [redacted] contracts had some form of early termination clause included.⁶ Of these [redacted] contracts, [redacted] included penalties for the customer in case of early termination. For example:

- (a) [redacted] contract [redacted].⁷ The fees are broken down as shown in Table 1 and Table 2.

Table 1: [redacted] early termination fees ([redacted])

[redacted]				[redacted]		
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Fisher Business internal document.

Table 2: [redacted] early termination fees ([redacted])

[redacted]				[redacted]		
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Source: Fisher Business internal document.

- (b) The [redacted] contract cannot be terminated in the [redacted]. Thereafter, termination on [redacted]. Termination fee of [redacted].
- (c) The [redacted] contract can be terminated on [redacted] notice with penalties as follows:
- (i) Notice served [redacted].
 - (ii) Notice serviced [redacted].

⁵ [redacted].

⁶ There were [redacted] contracts which did not have early termination clauses ([redacted]) and [redacted] for which Fisher Business did not have information.

⁷ During the call with [redacted], it explained that [redacted].

(iii) Notice served [REDACTED].

(iv) Notice served [REDACTED].

19. In addition, Fisher Business told us that [REDACTED] of its current UK contracts include early termination clauses, and that [REDACTED] of these ([REDACTED]) include penalties for early termination.⁸
20. CHC told us that termination for convenience is a practice within the O&G Offshore Transportation Services market, and it has direct experience of customers that have either threatened to or invoked termination for convenience clauses on CHC or its competitors. It gave [REDACTED] examples of early termination clauses being used: [REDACTED] in 2021, where [REDACTED] terminated its contract with [REDACTED] to take on an alternative contract with CHC;⁹ and [REDACTED] in 2015,¹⁰ where [REDACTED] sought a price reduction in its contract, threatening to invoke the termination for convenience clause. CHC was eventually forced to accept the reductions, with the monthly standing charge paid for by [REDACTED] dropping from c.£ [REDACTED] per month in [REDACTED] to c.£ [REDACTED].
21. Bristow told us that [REDACTED]. It explained that [REDACTED].
22. Bristow also told us that of its [REDACTED] current O&G contracts, [REDACTED]. The remaining [REDACTED]. Bristow noted that [REDACTED].
23. Bristow told us that penalty clauses are calculated on a [REDACTED]. Bristow told us that oil operator clients do not view such termination costs as a standard element within their contracts and will always attempt to negotiate the defined inclusion of such clauses out of any final contract prior to signature. This generally results in highly subjective clauses which allow for reasonable costs to be recovered and provides the client with the ability to minimise the level of such costs.
24. NHV told us that customer contracts usually contain an early termination for pure convenience provision within [REDACTED] days. NHV tries to remove provisions for convenience, [REDACTED]. NHV told us [REDACTED].
25. NHV told us that sometimes there may be a financial penalty if a customer terminates, giving NHV more reserves to deploy this aircraft elsewhere. It indicated these penalties are present in [REDACTED]% of its major customer contracts. NHV told us that penalty clauses are typically calculated based on a fixed sum, eg a certain number of months of standing charge (often [REDACTED] months).

⁸ We note that the information provided in paragraph 18 above relates [REDACTED].

⁹ We note that Appendix F sets out further information on this tender instance.

¹⁰ We note that this instance occurred over [REDACTED] years ago, so may not be indicative of current competitive conditions.

The number of months decreases depending when in the contract the customer terminates ie they would ordinarily pay less towards the end of the contract term. NHV explained that '[REDACTED]'.

26. We asked customers to explain the importance of early termination clauses, and whether there are any circumstances under which they would accept a more limited ability to end contracts early (for example, being required to cover the cost of any leases the supplier has in case of early termination). Most customers¹¹ indicated they had early termination clauses included in their contracts, with these being important due to:
- (a) Uncertainty over activity profiles;
 - (b) Company strategy changes; and
 - (c) For flexibility to limit its liabilities.
27. Customers indicated that the notice period for early termination varies significantly, even for the same customer. The notice period can range from: no notice; 10 days; 30 days; 90 days; 120 days;¹² 180 days;¹³ to 270 days. The most typical notice periods seem to be 90 to 180 days.
28. Most customers who responded to the question¹⁴ told us they would not be willing to cover the costs of helicopter leases in the case of early termination, though some larger customers stated they would consider it in some circumstances.¹⁵ For example, [REDACTED] told us that they recognised that [REDACTED], so the [REDACTED] would have a more restrictive termination.

¹¹ 21 customers out of 24. Three customers did not have early termination for convenience clauses in their contracts.

¹² [REDACTED].

¹³ [REDACTED].

¹⁴ Ten out of 14.

¹⁵ [REDACTED].

Appendix D: Analysis of tender data

Introduction

1. This appendix sets out the evidence gathered and reviewed on tender data. We also provide context for this data by providing an overview of the propensity for tendering in the market, and our current understanding of the bidding process for competitive tenders.¹
2. We discuss the reasons for the Parties' decisions on whether to bid in particular tenders related to Babcock's manage for value strategy in Chapter 6. We set out our analysis of Parties' internal documents relating to tenders and the levels of CHC's bid prices in Appendix F.
3. The appendix is structured as follows:
 - (a) We first provide background information on tender evaluation and direct negotiations.
 - (b) We then set out our analysis of the tender data:
 - (i) Overview of Parties' and CMA's datasets;
 - (ii) Results of CMA tender analysis; and
 - (iii) Small tender analysis.

Background on tender evaluation and direct negotiations

4. As set out in Chapter 6, O&G Offshore Transportation Services are generally procured through tender processes. While there are some direct contract negotiations, these appear to be relatively infrequent (although contracts often have provisions which allow them to be extended for a set amount of time, occasionally with multiple options for extension). We set out below the information we have gathered with respect to tender evaluation criteria for specific customers. We then set out details of customers who have recently undertaken direct negotiations, and the reasons for this.

¹ We note that CHC explained that there were three different ways opportunities are offered to the market: long-term scheduled opportunities (for which there will be a full-scale tender) and short-term scheduled opportunities (for which there will be either a reduced-scale tender or a request for quotation (RFQ)), and sporadic 'ad hoc' type opportunities (which do not require tenders or RFQs). Our explanation of our current understanding of the bidding process covers both these short and long-term opportunities.

Customers' tender evaluation criteria

5. As part of our investigation, we have received the tender evaluation criteria used by customers when evaluating bids. EnQuest Heather Limited's tender evaluation criteria are as follows:² [REDACTED].
6. TAQA's tender evaluation criteria are as follows:³ [REDACTED].
7. During a call with [REDACTED], it told us that when it undertook its [REDACTED], it wanted to ensure that the competitive process resulted in a contract with the lowest cost acceptable, which was also practical, sustainable, safe and reliable. Offshore UK eventually won the tender, with [REDACTED]. It told us the [REDACTED].
8. The examples above demonstrate that customers tend to use similar criteria when evaluating a tender bid, though often with slight variations. We also note that customers may place different weightings on the same criteria. As such, a supplier who wins a tender due to a high evaluation score in a particular criterion may not necessarily score highly in that same criterion in an evaluation undertaken by another customer.

Examples of direct negotiation

9. We received information from five customers who had not run a competitive tender process in the last five years, as they had instead chosen to extend their contract with their existing supplier, or a tender had not come up for renewal in that period. There were a number of reasons for extending the current contract, and such customers did not preclude going to tender again in future. We also received information from customers who had both run competitive tenders and undertaken single-source negotiations in the past five years. For example:⁴
 - (a) [REDACTED] stated that it extended contracts following M&A activity to maintain safe operations during company changes, and undertaking a tender would be its normal approach.
 - (b) [REDACTED] told us that it undertook a single sourced renegotiation to extend its existing contract with Offshore UK in 2017 and amend aircraft type to increase safety for passengers and drive down logistics costs. We note that as this is quite a high value contract, £[REDACTED] million for [REDACTED], NHV was

² EnQuest states 'these criteria are not necessarily listed in order of importance or weighting and are subject to change'.

³ The information provided from TAQA does not indicate whether there are any preferences or weights placed on any of the evaluation criteria.

⁴ We note that some of the examples here are from outside of the five customers we have identified, as some customers have had both competitive and un-competitive tenders.

likely unable to bid on this contract, as NHV told us it did not have a strong presence in the market in 2017, and rated itself as a weak competitor (ie one or two out of five) at the time.

- (c) [REDACTED] told us that it extended its contract as it achieved good performance, added value was achieved in various ways through the contract cycle and management and the companies were aligned in their strategies. It would retender for the following reasons: change in contracting strategy, change in business goals/strategies, poor performance, market changes.
- (d) [REDACTED] undertook a single source negotiation with [REDACTED] in [REDACTED] due to the market's conditions. More specifically, there were only [REDACTED] so it decided to single source with the incumbent and avoided a tender. [REDACTED] would consider retendering due to safety and operational performance, or a change in internal business model. It also told us that its current approved list of suppliers included [REDACTED], so it would be able to approach [REDACTED] suppliers in upcoming tenders.
- (e) [REDACTED] told us that its contract was [REDACTED]. It told us [REDACTED].
- (f) [REDACTED] told us it [REDACTED].

10. In the absence of tendering, different customers submitted they had different approaches to comparing prices to ensure they received a good deal: one undertook ongoing price monitoring, while other customers prefer cost modelling for benchmarking or comparing between existing suppliers.

Analysis of tender data

Our assessment

Parties' bidding data

11. In phase 1, the CMA set out that it considered that the Parties' original bidding data and analysis had some limitations. In particular:
- (a) The Parties are not necessarily aware of who bid for each contract, their relative ranking, or who won. This means that there are significant gaps in the tender data provided.
 - (b) The Parties' data misidentifies the identity of other bidders in some cases (for example, rivals are identified as bidders for certain contracts when in

fact they did not bid).⁵ The Parties' data also occasionally misidentified the year of the contract end date.

(c) A large proportion of the tenders identified by the Parties do not appear to be competitive processes in which the Parties faced a rival (for example, contract renewals or extensions bilaterally negotiated between one of the Parties and a customer).⁶ By including non-competitive opportunities (such as renewals or extensions in which other bidders are not invited to bid) the Parties' data will overstate the number of opportunities and therefore understate the proportion of competitive tenders where the Parties bid against each other.

(d) Furthermore, the Parties' data contains a number of relatively low value opportunities where competitive conditions may not be representative of those for higher value contracts.

12. We note that since the phase 1 Issues Letter, the Parties have attempted to replicate the phase 1 CMA tender analysis dataset (explained below). This updated analysis of [REDACTED] tenders attempting to replicate the phase 1 CMA tender analysis broadly aligns with our dataset,⁷ though there are some tenders which have been identified incorrectly. The Parties' updated dataset includes:

(a) One tender ([REDACTED]) was identified as an extension/renegotiation by the customer, rather than a competitive tender.⁸

(b) One tender ([REDACTED]) for which the customer did not provide us details.⁹

13. The four additional tenders included in the CMA analysis, but missing from the Parties' dataset, include:

(a) Two tenders ([REDACTED]) the Parties believed to not be competitive tenders, which were in actuality competitive.

(b) One tender ([REDACTED]) has been erroneously excluded by the Parties.¹⁰

⁵ For example, the Parties' tender data suggests [REDACTED].

⁶ In the original submission, of the [REDACTED] tender entries provided by CHC, there were only [REDACTED] tenders where CHC provided information on who else (if anyone) bid. Of the [REDACTED] tender bids provided by Babcock Offshore UK, there were only [REDACTED] tenders where Babcock Offshore UK bid and there is no information on who else (if anyone) bid.

⁷ The Parties have correctly identified [REDACTED] tenders, ie [REDACTED]% of the CMA tender data, as described below.

⁸ This tender was originally won by [REDACTED].

⁹ We currently consider that it is either the case that the customers erroneously excluded these tenders from their submissions, or the Parties were mistaken about the details of these tenders, such that we have not been able to match them.

¹⁰ The Parties' data indicates that this tender met the CMA criterion, as explained below, however it was omitted from the Parties' analysis.

- (c) One tender ([REDACTED]) the Parties did not provide us with information about. This indicates that they were unaware of this opportunity.

14. While the Parties' updated dataset contains most of the relevant dataset, our dataset contains a more consistent identification of the correct bidders and relative rankings, as explained above.

CMA tender data

15. Given the limitations of the Parties' data described above, the CMA gathered additional bidding data directly from customers. The CMA identified potential bidding opportunities during the period 2017 to 2021 by contacting all the customers in the Parties' bidding data, as well as attempting to identify any opportunities in which the Parties did not participate. Further gaps were filled in at phase 2, where we included recently concluded tenders, or for which we had not received information at phase 1.
16. In total, the CMA was provided with details of 66 tenders by customers since 2017.¹¹ However:
- (a) nine of these opportunities were duplicates, or were not otherwise relevant;¹²
 - (b) five of the remaining opportunities did not contain enough information to include in the analysis;¹³
 - (c) fifteen of the remaining opportunities were non-competitive contracts. Five of these involved bilateral negotiation with a preferred supplier to extend or renegotiate the current contract, ten were otherwise uncompetitive as

¹¹ The number of tenders from the phase 1 investigation is 53. We note this differs from the original phase 1 number of tenders (52) due to a tender being omitted. However, we note the previously omitted tender was a very small tender, and so was eventually removed from the CMA tender data analysis in any event, as explained below.

¹² The entry was either not in the UK ([REDACTED]), an updated entry from our original phase 1 information ([REDACTED]), part of a collective agreement where we had already obtained information on the tender process ([REDACTED]) or contained only the title of the tender ([REDACTED]). There were instances of contract awards for the provision of SAR ([REDACTED]). There was an instance of a tender missing key information, however with the information we have already received, it was clear the tender would fail in other criteria ([REDACTED]). This left 57 contracts.

¹³ In these instances, there is key information missing such as the value of the contract and/or bidders involved (five). [REDACTED] of these entries involved [REDACTED] customers ([REDACTED]) of which we requested clarification about their entries, but they did not provide us with responses, or the response received did not sufficiently clarify the entry. An entry provided by [REDACTED] was missing key information and upon follow-up stated that due to the tender occurring close to the date of initial operation of the firm, it did not have the required information on this tender process ([REDACTED]). This left 52 contracts.

the customer stated it was a single source negotiation, or other forms of contract negotiation;¹⁴

- (d) two of the remaining opportunities were uncontested tenders where multiple suppliers were invited to bid, but the customer only received a singular bid;¹⁵
- (e) ten of the remaining contracts were very small, (for instance short term exploration opportunities);¹⁶ and
- (f) four were awarded before 2017.¹⁷

17. As such, the CMA focused its assessment on the remaining 21 competitive tenders over the period 2017 to 2021¹⁸ for higher value opportunities (which are typically also longer term). At least one of the Parties participated in all of these tenders. The CMA considers that the relatively small number of tenders for which data has been gathered is predominantly due to the infrequent nature of tender processes in the industry.¹⁹
18. There are some limitations to this tender analysis, in particular, due to the small number of tenders, it can be difficult to infer trends from this analysis. Due to this, we occasionally present qualitative discussion of the tenders alongside the numbers presented to better explain these.
19. Despite the relatively small number of tenders, we consider that this data is representative of competitive interaction in the supply of O&G Offshore Transportation Services in the UK. In particular, these 21 tenders account for 99% of UK contracts (by value) of which we are aware, awarded through a

¹⁴ The five extensions or renegotiations to the current contract involved [REDACTED] customers ([REDACTED]). Further information on why customers chose to extend or renegotiate their current contract with the incumbents is given at paragraph 9. The eight single source negotiations involved [REDACTED] customers ([REDACTED]). The two other forms of contract negotiation include an instance where a customer has joined with another customer's pre-existing contract ([REDACTED]) and one entry where the customer set up frame agreements with all four suppliers individually ([REDACTED]). This left 37 contracts.

¹⁵ [REDACTED] invited [REDACTED] suppliers to bid, but only received a response from [REDACTED]. [REDACTED] invited [REDACTED] suppliers to bid, but only received a response from [REDACTED]. This left 35 contracts.

¹⁶ These included tenders for contracts with a total value of less than £2 million. We note that the customers have been inconsistent in providing information on these smaller tenders, leading to greater gaps in this data. This left 25 contracts.

¹⁷ We considered tenders from 2017 onwards as contracts before 2017 are less likely to accurately represent market conditions today given the growth of NHV. This left 21 tenders. The 21 tenders are for contracts with an average value of over £40 million. Removing tenders for contracts valued at less than £2 million removes approximately 1% of the tenders by value from the total sample of competitive opportunities.

¹⁸ We note that customers provided tender data based on start date, rather than bid date. While the dates presented may indicate the bidding for these contracts occurred later, all contract bidding took place before August 2021. However, we note that bidding for some of these tenders occurred after the Merger was in contemplation, as discussed in paragraph 22 below.

¹⁹ Each large customer may tender one contract every five years or so. The CMA is aware of some customers (including some of the Parties' largest) that have not run a competitive tender comparing detailed proposals from more than one bidder since 2017 (and so are not captured in the tender data).

competitive tender process over the relevant period where at least one of the Parties bid.²⁰

20. We note that the CMA tender analysis provides broadly similar results to the Parties' analysis.

Results

Overview

21. As noted above, the CMA's tender dataset contains details of 21 tenders. Table 1 sets out the distribution of these tenders over time.

Table 1: Summary of tenders by year

<i>Year</i>	<i>Number of tenders</i>
2017	[REDACTED]
2018	[REDACTED]
2019	[REDACTED]
2020	[REDACTED]
2021	[REDACTED]
2022	[REDACTED]
<i>Total</i>	21

Source: CMA analysis.

22. As noted above, the small number of tenders in each year makes comparisons of trends or year to year changes challenging. In addition, we note that CHC first expressed an interest in the Fisher Business in November 2019, and first submitted a non-binding offer for the Fisher Business in March 2020. This may raise the concern that the Parties' bidding strategy may be affected by the prospect of the Merger, particularly following the completion of the Merger in 2021. However, in practice, we have not identified any specific change in the Parties' bidding strategy from their internal documents since the Merger was in contemplation. Therefore, while we have taken this risk into account in our assessment, we do not consider we should discount evidence from tenders which occurred after the Merger was underway.
23. We consider that this tender data provides evidence on closeness of competition between the Parties and other UK suppliers, in particular:
- (a) how often the Parties and other suppliers bid against each other; and
 - (b) how often the Parties and other suppliers win contracts from one another or come first and second in tenders.

²⁰ Out of the total competitive tenders we identified in our dataset.

24. We consider that this assessment provides evidence on the strength of rivalry between the Parties that may be lost due to the Merger and the strength of the constraints that will remain on the Merged Entity post-Merger.
25. The CMA tender data shows that, apart from the four UK incumbents, no other potential competitors won any contracts, and there have been very few instances of potential entrants bidding.²¹ A small number of customers submitted they had tried to seek bids from a small number of additional participants, but these were not successful:²²
- (a) [redacted] bid on the [redacted] tender but told us it was not shortlisted. [redacted] further explained [redacted] was not shortlisted due to [redacted]. [redacted] told us it had invited [redacted] (another potential entrant) and [redacted] to bid on the tender. [redacted] explained that for their next tender, they would only invite [redacted]. It would invite [redacted] as it has [redacted]. However, it also said it believed [redacted] would not invite [redacted] for its next tender, as [redacted] told us it has had no discussions with any potential UK O&G Offshore Transportation customers about the possibility of bidding for a contract to supply them, and that it was not interested in entering the UK market. [redacted].
 - (b) [redacted] told us that [redacted] and [redacted] had been invited to participate in its [redacted] tender, but had declined, [redacted]. [redacted] invited [redacted] and [redacted] because [redacted] was seeking the widest possible set of options for the tender, and these suppliers may have worked for [redacted] in other areas, such as [redacted]. Local management ([redacted]) would not have rejected a potential new entrant from joining one of its tenders, but [redacted]. [redacted] felt [redacted], and it would have been difficult for a new entrant to succeed.
 - (c) [redacted] told us that [redacted].
26. We note that other than the instances listed above, there is no evidence of potential entrants bidding on any tenders for O&G contracts in the UK since 2017. Therefore, we have focused our assessment below on the four incumbent suppliers (Bristow, CHC, the Fisher Business and NHV).
27. We provide some information on participation rates, rankings and win rates in Chapter 6. We provide further information below.

²¹ There was no [redacted].

²² Other customers such as [redacted] submitted they had invited a wider pool of suppliers for specific tenders.

Participation rates

28. Table 2 and Figure 1 below summarise the tender participation rate of the four incumbents by year.

Table 2: Summary of tenders participation by year

Year	Number of tenders	Number of tenders participated in				Proportion of tenders participated in (%)			
		Bristow	CHC	NHV	Offshore UK	Bristow	CHC	NHV	Offshore UK
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2020	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	21	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis.

Figure 1: Tender participation rate (%) by year

[REDACTED]

Source: CMA analysis. The total number of tenders per year is shown in Table 2 above. We note that the years with contracts starting in 2017 and 2022 only involved [REDACTED], so may not be fully informative or representative.

29. Table 2 and Figure 1 show that no suppliers participate in every tender, though CHC appears to bid [REDACTED]. While the Parties are correct that Offshore UK participated in [REDACTED], this ignores that:

- (d) Proportions are highly variable given the small number of tenders in any given year. Offshore UK participated in [REDACTED] tender out of [REDACTED] in 2017, [REDACTED] out of [REDACTED] in 2020 and [REDACTED] out of [REDACTED] in 2021, ie the absolute number of tenders Offshore UK participated in in these years was not very different.
- (e) The proportion of tenders Offshore UK has participated in has not been a steady downward trajectory as implied by the Parties, but has always been highly variable. Overall, Offshore UK was [REDACTED] in bidding for contracts that started in 2017 and 2019, with the [REDACTED] participation rate in 2018. Other competitors ([REDACTED]) also have a highly variable participation rate year to year. Offshore UK thus bid on [REDACTED] in 2017, 2019 and 2020 ([REDACTED] in 2018 and 2021).²³
- (f) Finally, we note that contracts in the latter part of the period (particularly those which were tendered during 2020 and later) must be considered in the context of the Merger negotiations.

²³ We note that in 2022, Offshore UK and [REDACTED] had the joint lowest participation rates.

30. Overall, Offshore UK's participation rates appear to fluctuate significantly ([redacted]). Suppliers have different propensities to bid according to different company strategies. However, while all are somewhat selective in bidding (with no company bidding on all tenders), all have been actively bidding throughout the period.

Rankings

31. Table 3 below summarises how frequently the Parties won against each other for these contracts.

Table 3: Summary of Parties' competing bid outcomes

	<i>Tenders where the Parties competed (number)</i>	<i>Tenders where the Parties competed (value)</i>
Offshore UK won and CHC participated*	[redacted]	[redacted]
CHC won and Offshore UK participated	[redacted]	[redacted]
Offshore UK outranked CHC	[redacted]	[redacted]
CHC outranked Offshore UK	[redacted]	[redacted]
Offshore UK won and CHC came second	[redacted]	[redacted]
CHC won and Offshore UK came second	[redacted]	[redacted]
Offshore UK won from CHC (incumbent)	[redacted]	[redacted]
CHC won from Offshore UK (incumbent)	[redacted]	[redacted]

Source: CMA analysis.

Note:

* We note that a substantial proportion of the value of tenders won by Offshore UK are accounted for by the TotalEnergies and IAC contracts, as noted by the customers (£[redacted] million and £[redacted] million respectively). However, Offshore UK has won other contracts against CHC. Excluding TotalEnergies and IAC, Offshore UK won £[redacted] million in tenders where CHC also participated, including £[redacted] million from a contract where CHC [redacted]. We also do not consider we should discount the TotalEnergies and IAC contracts, as explained in Chapter 6.

32. The table above shows that out of the [redacted] times the Parties faced each other, Offshore UK have outranked CHC [redacted] times,²⁴ and CHC have outranked Offshore UK [redacted] times.²⁵ In addition, Offshore UK have won [redacted] CHC participated in,²⁶ while CHC has won [redacted] Offshore UK participated in.²⁷ Of the [redacted] Offshore UK won and CHC participated in, CHC came second place in [redacted].²⁸
33. Figure 2 below summarises the total number of tenders for which each of the incumbents has been ranked first, second, third and fourth respectively.

²⁴ Based on customer rankings of bidders. Each customer has different evaluating criteria, so this does not necessarily mean each Party offered a lower price than the other in each of these circumstances. [redacted].

²⁵ [redacted].

²⁶ [redacted].

²⁷ [redacted].

²⁸ [redacted].

Figure 2: Distribution of rankings by the four incumbents

[REDACTED]

Source: CMA analysis.

Note: This analysis does not have full data on the third and fourth rankings, as these were either not applicable (there were fewer than three or four bidders) or the customers did not provide us with information on the rankings of the lower end suppliers.

Note for one tender ([REDACTED]) the customer did not distinguish between third and fourth place ([REDACTED]). As such [REDACTED] have been placed in both positions for this entry and therefore their participation in tenders will be inflated by one in this figure.

34. Figure 2 shows that Bristow and Offshore UK frequently range from [REDACTED], indicating variable performance depending on the tender involved. CHC most often comes [REDACTED], indicating it is a strong competitor [REDACTED]. NHV often comes [REDACTED], but for those [REDACTED] also shows a varying degree of strength.

Win rates

35. Table 4 and Figure 3 below summarise the tender win rates of the four incumbents.

Table 4: Summary of tenders won by year

Year	Number of tenders	Number of bids won				Proportion of bids won (%)			
		Bristow	CHC	NHV	Offshore UK	Bristow	CHC	NHV	Offshore UK
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2020	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2022	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	21	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis.

Note: Proportion of bids won is calculated as the number of contracts won out of the total number of contracts bid in.

Figure 3: Tender win rates (%) by year

[REDACTED]

Source: CMA tender analysis.

36. Figure 3 shows that win rates fluctuate for all four incumbents. Overall, this shows:
- CHC had among [REDACTED] win rates in most years, apart from [REDACTED]. However, this may reflect that it is more active in bidding on a larger number of tenders, including those for which it is less competitive.
 - We consider the win rates of Offshore UK in Chapter 6.
 - Bristow won [REDACTED] contracts starting in [REDACTED]. Similar to CHC, it generally has [REDACTED] win rate as a result of its higher level of bidding. Bristow [REDACTED], illustrating that lack of success in particular years does not imply a firm cannot still be an important competitive threat.

(d) NHV has generally had higher win rates (winning [REDACTED]% or more of the tenders it participated in, except in [REDACTED]), consistent with it focusing on tenders where it is more likely to be successful.

37. We note that in [REDACTED]% of competitive tenders involving a previous incumbent, the incumbent did not win the contract and retain their position.²⁹ This shows that in a competitive tender process, previous incumbency does not appear to be a key deciding factor for customers when evaluating O&G Offshore Transportation Service suppliers, as switching appears to be commonplace.³⁰

Small tender analysis

38. Despite the limitations of the small tender information and the further limitations explained below, we consider whether these tenders offer some insight into competitive conditions and how they vary when the tender value is lower. To understand these differences, we also compared the small tender analysis to the main tender analysis (**tender analysis**).

Parties' bidding data

39. The Parties have provided us with information on all tenders of which they are aware. According to the Parties data after the reconciliation of bidders process, when using only Offshore UK's valuation of tenders we observe [REDACTED] small competitive opportunities compared to those observed when we use CHC's valuation.³¹ There are [REDACTED] tenders which are valued at less than £2 million by at least one of the Parties and are believed to contain at least two competitors.

CMA small tender data

40. To conduct the small tender analysis, we used the same dataset as mentioned in paragraphs 15 to 17. The same criteria included in paragraph 16(a–d and f) applies. However, instead of using the criteria in 16(e) we introduced an upper limit on the value of the contract of £2 million.

²⁹ Based on the 21 competitive tenders in our analysis, there were [REDACTED] with a previous incumbent. In [REDACTED] of these [REDACTED] tenders the incumbent was unable to retain the contract.

³⁰ We note that of the [REDACTED] competitive tenders where Offshore UK was the incumbent, it was [REDACTED]. Offshore UK lost [REDACTED] to CHC, [REDACTED] to Bristow and [REDACTED] to NHV. We also note that of the [REDACTED] competitive tenders where CHC was the incumbent, it retained its incumbency in [REDACTED] of these, lost [REDACTED] to Bristow and [REDACTED] to Offshore UK.

³¹ We note that there are discrepancies in valuation of tenders between the Parties. When using only CHC's valuations, there are [REDACTED] competitive tenders with a value of less than £2 million, when using Offshore UK's valuation, there are [REDACTED] competitive small value tenders. There are only [REDACTED] instances where both Parties believe the value of the contract is less than £2 million and a competitive tender process occurred. There could be several explanations for these discrepancies. For example, if suppliers focus more on larger value contracts, they may put less focus on maintaining accurate information on lower value contracts. Alternatively, those suppliers who progress to the later stages may be more likely to have information that represents the final details of the contract, compared to those suppliers who were eliminated early on.

As a result, we have ten competitive tenders with a value of less than £2 million.³²

41. We were able to successfully match six of the ten tenders in the CMA dataset to the Parties' overall dataset of [REDACTED].^{33,34} We note that the absolute number of small tenders observed is similar between the CMA dataset and the dataset provided by the Parties.³⁵ In the overall market, our small tender dataset accounts for approximately 1% of the total competitive tenders by value.³⁶
42. We have overall placed less emphasis on the results of the analysis compared to the main tender analysis. This is because:
 - (a) they represent a very low proportion of the market value, and we have captured 99% of the market value in our main analysis;
 - (b) we have been unable to collate a dataset as comprehensive as that of the larger tenders, as there were instances where we were unable to receive information on small tenders from the customers; and
 - (c) there were a greater amount of discrepancies between the Parties' data and customer data for smaller tenders.³⁷

Results

43. We have a small dataset size of ten competitive tenders each with a value of less than £2 million and as such conclusions and comparisons should be taken with caution. The average value of the ten small value tenders is £0.95 million compared to an average of £42 million of the 21 tenders in the tender analysis. The average term length in the small value tender analysis is 1.4 years, which is significantly shorter than the term length of 3.5 years in the

³² These ten tenders have a value of less than £2 million, a contract start date on or after 1 January 2017, had at least two active bidders and are for UK O&G Offshore Transportation Services.

³³ We were unable to match the remaining four opportunities. This is because [REDACTED] of the opportunities have contract start dates in 2021 and so data submitted from the Parties may not have included these tenders as they were still in progress or yet to occur ([REDACTED]). In the other [REDACTED] opportunities the customers stated that only [REDACTED] bid and therefore the Parties did not provide information on these tenders as they were not involved and possibly unaware ([REDACTED]).

³⁴ We note that the Parties' dataset has more small value competitive opportunities ([REDACTED]) when comparing to our dataset (10). We observe that in some instances the Parties have incorrectly estimated the value as less than £2 million. There were some instances where we did not receive responses to information requests on small tenders from customers.

³⁵ We have ten competitive tenders with a value of less than £2 million in the CMA dataset compared to thirteen competitive tenders with a value of less than £2 million in the Parties' dataset.

³⁶ This is calculated by summing the value of the small competitive tenders (£[REDACTED] million) and dividing by the summed value of all 31 competitive tenders in our sample (£[REDACTED] million). Our small tenders account for 91% of the small tender information we received from customers (we note we excluded [REDACTED]).

³⁷ We often observed a mismatch in information provided by the customers and the Parties relating to small value tenders.

tender analysis. This is to be expected as the pricing of the contract is often linked to the term length.³⁸

44. No new entrants to the market were invited to bid or placed bids on any of the ten small tenders in our analysis.
45. Table 5 shows the participation and win rates of the four incumbents in the small value analysis.³⁹

Table 5: Tender participation and win rates of the four incumbents

	Number of small tenders participated in	Small tender participation rate (%)	Number of small tenders won	Win rate (%)
CHC	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Offshore UK	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bristow	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NHV	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis.

46. Table 5 shows that:
 - (a) With the exception of [REDACTED], suppliers overall appear to be more selective in participating in small tenders compared to the main tender analysis. In particular, Offshore UK [REDACTED].
 - (b) We note that in all [REDACTED] tenders Offshore UK participated in, CHC was one of the suppliers competing and in [REDACTED] of these instances CHC was the winner of the tender.⁴⁰
 - (c) Win rates appear to differ somewhat in the small tender analysis, with [REDACTED] being more successful, and [REDACTED] being less successful compared to the tender analysis.
47. Overall, competitive conditions appear somewhat different when competing for lower value tenders compared to larger tenders. While all four incumbents do participate, there appears to be varying attention paid to small tenders versus large ones, leading to somewhat different outcomes.
48. In particular, CHC appears to [REDACTED] in the small tenders it participates in, while Offshore UK appears [REDACTED]. This could indicate a lack of focus from Offshore

³⁸ Each of the ten tenders in the small value analysis had a term length calculated from the start and end dates provided to the nearest month instead of nearest year. This was to ensure we captured the change of term length in the small value tenders compared to the larger tenders. In certain instances where the customer had not provided specific contract start and end dates, the Parties' data has been used to supplement this information. However, there are three instances in the small value analysis where it was not possible to calculate term length to the nearest month ([REDACTED]).

³⁹ The average number of bidders in the small tenders is approximately three bidders per tender ([REDACTED]) which is similar to the main tender analysis.

⁴⁰ The tenders in which Offshore UK participated and CHC won, were held by [REDACTED].

UK on the smaller value opportunities. We note that there is some indication that CHC might constrain Offshore UK when competing for small tenders, as CHC participated in [REDACTED] of the small competitive tenders that Offshore UK competed for and CHC went on to win [REDACTED].

49. Bristow appears [REDACTED]. NHV appear to [REDACTED].
50. In summary, the analysis shows all four incumbents do participate in small tenders, but there appears to be varying attention paid to small tenders versus large ones. While Offshore UK appears [REDACTED], and by contrast CHC appears to [REDACTED] in small tenders, given the limitations in the small tender data set out at paragraph 41, and particularly the low proportion of the market value these tenders represent, we do not consider that this analysis changes our conclusions drawn from the main tender data.

Appendix E: Third party views

1. This appendix sets out our evidence from third parties in relation to our competitive assessment. It does not cover third party views on all topics (eg countervailing factors) – please refer to the relevant chapters of the provisional findings report on these points.
2. As part of the phase 2 investigation we sent questionnaires to 44 customers,¹ eight potential entrants,² four aircraft lessors³ and two incumbent suppliers.⁴ We received responses from 28 customers,⁵ six potential entrants, four lessors and two incumbent suppliers. We also had calls with one customer ([REDACTED]),⁶ two incumbent suppliers (Bristow and NHV), the Civil Aviation Authority (**CAA**) and two potential entrants ([REDACTED] and [REDACTED]).⁷
3. The appendix is structured setting out views by stakeholder type:
 - (a) Customers.
 - (b) Incumbent suppliers.
 - (c) Potential entrants.
 - (d) Aircraft lessors.

Customers

4. As noted above, we received responses from 28 customers who currently or previously had contracts with the Parties for UK O&G Transportation Services. These customers vary significantly in size. Table 1 sets out the customers from whom we have received responses divided by the size of the largest tender they have run since 2017. We include information on the value

¹ Based on the Parties customers, and their knowledge of other customers present. Includes customers who have run tenders of various sizes from £[REDACTED] million to £[REDACTED] million (based on tender value since 2017 as supplied by customers).

² Identified by the Parties as either being their current competitors or potential entrants, or mentioned by customers or suppliers in calls and written responses. Includes suppliers in UK O&G Offshore transportation services, or providing transportation services for search-and-rescue (SAR) and to offshore wind farms in the UK, amongst others.

³ Identified by the Parties as their lessors.

⁴ Bristow and NHV.

⁵ We note this is a similar response rate to that achieved in phase 1.

⁶ We note that we also had a call with [REDACTED] to verbally go through the questionnaire, which we have here counted as a response to the questionnaire.

⁷ During the course of the phase 1 investigation, the CMA contacted a similar number of customers, and had calls with the two competitors, as well as three customers: [REDACTED].

of all tenders run by these customers for which we have information for completeness.⁸

Table 1: Customers by size of largest tender since 2017

<i>Tender <£2m</i>	<i>Tender £2m - £15m</i>	<i>Tender >£15m</i>
[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA, based on customer and Parties' responses to information requests.

Note: We note that a minority of these tenders started before 2017.

[REDACTED]

5. We asked a number of questions to establish which suppliers these customers consider compete with the Parties.
6. We asked customers who have (or had) UK O&G Transportation Services contracts with CHC and Offshore UK to what extent they view the listed suppliers as a close alternative to CHC and Offshore UK respectively for this service. The suppliers listed were the four incumbent suppliers, as well as the eight potential entrants⁹ identified by the Parties.¹⁰ Customers were asked to rank suppliers on a scale from 1 (not at all a close alternative) to 5 (a very close alternative).
7. The questionnaire responses were consistent with CHC and Offshore UK being close alternatives to each other, with many customers giving them a score of 4 or 5.¹¹ The questionnaire responses also showed that Bristow and NHV were also considered close alternatives to both Parties, consistent with all four incumbents being close alternatives. In particular:¹²
 - (a) 17 customers out of 18 who responded thought CHC was a close or very close alternative to Offshore UK (score of 4 or 5 out of 5);
 - (b) 19 customers out of 19 thought Bristow was a close or very close alternative to Offshore UK;
 - (c) 16 customers out of 18 thought NHV was a close or very close alternative to Offshore UK;

⁸ A number of customers have run several tenders of different sizes over this period and so could fit into different categories. We have used the largest tender as indicating the greatest degree of significance they may have on the market. Some customers are not included where we do not have information on their tenders.

⁹ Including Airbus Helicopters UK, Bel Air, British International Helicopters, Draken Europe, Serco, Uni-Fly, Weststar, Wiking.

¹⁰ We also included additional rows in the questionnaire for respondents to fill in if they felt there were other alternative suppliers not listed. No additional suppliers were identified.

¹¹ Where relevant, we have set out differences between small and large customer responses.

¹² We note that not all customers provided a response to each part of the question, leading to different number of responses for each supplier.

- (d) 16 customers out of 20 thought Offshore UK was a close or very close alternative to CHC;
- (e) 22 customers out of 23 customers thought Bristow was a close or very close alternative to CHC; and
- (f) 18 out of 22 customers thought NHV was a close or very close alternatives to CHC.

8. Table 2 below further summarises the average score given to all suppliers by customers.

Table 2: Average scores given by customers on closeness

<i>Supplier</i>	<i>Closeness to CHC</i>	<i>Closeness to Offshore UK</i>
Airbus Helicopters UK	1.0	1.0
Bel Air	1.9	1.4
BIH	1.2	1.3
Bristow	4.7	4.8
CHC	n/a	4.7
Draken Europe	1.1	1.1
NHV	4.4	4.4
Offshore UK	4.2	n/a
Serco	1.0	1.0
Uni-Fly	1.6	1.8
Weststar	1.1	1.1
Wiking	1.9	2.1

Source: CMA analysis of customer responses.

Note: 1 = not at all a close alternative, 2 = a somewhat close alternative, 3 = a moderately close alternative, 4 = a close alternative 5 = a very close alternative.

9. As shown in Table 2, only the four incumbents have average scores higher than 4. All other suppliers have average scores ranging from 1 to 2, consistent with them being much less close alternatives to each of the Parties than the other three relevant incumbents. Most customers told us they gave other suppliers lower scores due to them not currently operating in UK O&G Offshore transportation services.¹³ For example:

- (a) EnQuest marked the majority of suppliers outside the four incumbents as 1 due to having 'no O&G Transportation contracts or experience and not [being] OGP compliant'.
- (b) Fraser Wells Management marked most suppliers outside the four incumbents as 1 or 2 due to lack of presence at UK bases (Aberdeen, Norwich, Humberside and/or Blackpool). The exception to this was Wiking, which was marked as 3 and where it commented 'Not been involved with FWM projects due to not having established bases at the time of procurement – depending on airframe capacity they could be a

¹³ [REDACTED].

viable alternative to other suppliers, although base locations are less convenient’.

- (c) Ineos FPS marked all suppliers outside the four incumbents as 1 due to having ‘no base in Aberdeen’.
10. A small number of customers¹⁴ ranked some of the potential entrants outside the four incumbent suppliers as a close alternative or very close alternative to each of the Parties (ie 4 or more):
- (a) Bel Air was ranked as a close alternative to CHC by two customers ([REDACTED]), and a very close alternative by one customer ([REDACTED]).
- (b) Uni-Fly was ranked as a very close alternative to both Parties by one customer ([REDACTED]).
11. Taking into account the evidence set out above, there appears to be a marked difference in how close customers consider the incumbents (including each of the other Parties) to be as competitors compared to potential entrants – while the majority of respondents considered the incumbents to be close or very close alternatives to each of the Parties, only a small number of respondents considered any other supplier to be even moderately close alternatives to each of the Parties.¹⁵ There was no particular pattern as to whether these respondents were large or small customers, or when they most recently tendered.¹⁶
12. We also asked customers which suppliers they would consider inviting to bid for their UK O&G Offshore Transportation contracts. As some suppliers may be invited, but not able to bid credibly, we also asked them to indicate the likelihood of the suppliers to be selected. The majority of customers submitted only the four incumbent suppliers would be invited (ie given a score of 3 or more out of 5 in likelihood to be invited to bid).¹⁷ In particular:

¹⁴ These include small ([REDACTED]) and large ([REDACTED]) customers.

¹⁵ These results are not significantly different if we include those ranked as moderately close (score of 3) – significantly fewer customers gave suppliers outside the incumbent suppliers a score of 3 or more compared to those who gave the incumbent suppliers (including the Parties) a score of 3 or more.

¹⁶ These customers ran tenders in 2018 ([REDACTED]) and 2019 ([REDACTED]).

¹⁷ [REDACTED] gave Airbus and BIH a likelihood of 2 out of 5 in being invited but did not provide a score for their likelihood of being selected (the incumbents were scored as 5 both on being invited and selected). [REDACTED] gave BIH a score of 2 for likelihood to invite and select due to ‘previous industry track record but no scale in fleet’. [REDACTED] also gave Offshore UK a score of 3 as it does not have Norwich based operations.

- (a) 24 out of 25 customers would invite Offshore UK to bid, and 16 out of 18 indicated Offshore UK would have some likelihood of winning (score of 3 or more out of 5);^{18,19}
 - (b) 27 out of 27 customers would invite CHC to bid, and 18 out of 19 indicated CHC would have some likelihood of winning;
 - (c) 27 out of 27 customers would invite Bristow to bid, and 19 out of 19 indicated Bristow would have some likelihood of winning; and
 - (d) 26 out of 26 customers would invite NHV to bid, and 16 out of 17 indicated NHV would have some likelihood of winning.
13. Only a minority of customers submitted that they would invite any suppliers other than the four suppliers to bid on their tenders, in particular:
- (a) 6 out of 21 customers would invite Bel Air to bid, and 2 out of 13 indicated Bel Air would have some likelihood of winning;
 - (b) 5 out of 19 customers would invite Wiking to bid, and 3 out of 12 indicated Wiking would have some likelihood of winning;
 - (c) 4 out of 19 customers would invite Weststar to bid, and 1 out of 13 indicated Weststar would have some likelihood of winning;
 - (d) 3 out of 19 customers would invite Uni-Fly to bid, and 2 out of 12 indicated Uni-Fly would have some likelihood of winning;
 - (e) 2 out of 18 customers would invite BIH to bid, and 1 out of 12 indicated BIH would have a likelihood of winning;
 - (f) 1 out of 19 customers would invite Airbus to bid, and none out of 13 indicated Airbus would have some likelihood of winning;
 - (g) 1 out of 19 customers would invite Draken to bid, and none out of 12 indicated Draken would have some likelihood of winning; and
 - (h) 1 out of 19 customers would invite Serco to bid, and none out of 12 indicated Serco would have some likelihood of winning.

¹⁸ [X] said it would not invite Offshore UK to bid as Offshore UK is 'Not present in SNS' and so would not expect it to win a tender. [X] said Offshore UK was unlikely to win a tender as it 'Does not have a presence in Norwich or Humberside at this time'.

¹⁹ We note that not all customers provided a response for all suppliers, leading to the difference in figures presented.

14. Eight customers submitted they may invite a wider set of suppliers (alongside the four incumbents),²⁰ although six of these customers submitted these other suppliers would have a lower probability of being selected:
- (a) [REDACTED] identified it would also invite Uni-Fly and Wiking, as Uni-Fly has a 'strong UK market presence' (no reason was given for Wiking). [REDACTED] thought that Uni-Fly, Wiking and Offshore UK had 'limited aircraft availability and aircraft types to meet business needs in operated regions', though it gave Offshore UK a higher likelihood of being selected (four rather than three). It said CHC, Bristow and NHV 'can provide full range of services on different aircraft types'.
 - (c) [REDACTED] identified it would also invite Uni-Fly and Wiking as they are 'qualified and own suitable aircraft'. [REDACTED] gave these suppliers the same likelihood of winning as the incumbents as it regarded them as qualified.
 - (d) [REDACTED] identified it would also invite Wiking as it has 'known capacity and operations in the UK market', while Bel Air, BIH, Draken and Uni-Fly were identified as possible invitees (with a mark of 2 out of 5) as it 'depends if there is a project with proximity to their UK operating base'. However, only Wiking was indicated as likely to be selected, noting 'all bidders are treated equally and evaluated fairly. Previous experience of service provision is a factor in evaluation – [REDACTED] internal evaluation criteria'.
 - (e) [REDACTED] identified it may also invite Bel Air (with a mark of 3 out of 5) as it has '[REDACTED]', but submitted it would be unlikely to be selected as it 'doesn't have a presence in the UK'.
 - (f) [REDACTED] identified it would also invite Bel Air as it has 'aircraft type available', and that it has some likelihood of winning as it 'could be potential, depends on costs'. While it would also consider inviting Weststar, as it has 'aircraft types available', it later stated that 'Weststar are based in the far east only and the cost to set up their operation here in the UK would be very expensive'. It also said Weststar was unlikely to be selected due to 'Cost to have aircraft and setup not viable'.
 - (g) [REDACTED] would 'look to invite as many bidders as possible so long as they can provide the services within the required scope. It may be the case that the suppliers must have a base in certain areas for example'.
 - (h) [REDACTED] submitted it would also invite Bel Air, BIH, Weststar and Wiking as they are 'possibly capable' (while Offshore UK, Bristow and NHV are

²⁰ This includes two small customers ([REDACTED]) and seven large customers ([REDACTED]).

noted to have ‘local presence, known capability’, and CHC is its ‘[redacted]’). However, the non-incumbents are given a lower likelihood of being selected as they have ‘No existing contract or previous experience with this company’.

- (i) [redacted] submitted that if there was another [redacted] tender, Bel Air and Weststar could be included, but had a lower chance of being selected as they have no UK infrastructure.
15. Therefore, customers generally identified the four incumbents as the most likely to be invited to bid and be selected. Some customers submitted they may invite a wider pool of participants, however there were generally a limited number of other alternatives named and these potential participants were often identified as having a lower chance of being successful given their lack of experience or current UK presence. Those who submitted they may invite a wider pool were mainly large customers, although also included [redacted] small customers. We consider actual bidding in tenders in Appendix D.
16. We note that these findings are consistent with the evidence the CMA received at phase 1 where the CMA separately asked about the strength of suppliers more generally. At phase 1, a majority of customers submitted that all four incumbents have similar capabilities. For example, one customer stated: ‘[i]n the UK, the four main players provide the same helicopter categories/class (large, medium and super medium), maybe different types or a different mix, but they all provide the size that the industry is looking for’. Customers rated CHC and Babcock the second and third strongest suppliers with average scores of 3.9 and 3.6 out of 5 respectively (Bristow scored 4, and NHV scored 3.5). Only one customer provided a score for any other supplier in this questionnaire.²¹
17. Customers also provided their views as to how the competitive strength of suppliers had changed over the last five years. A small number of customers identified a weakening of Offshore UK’s competitiveness over time, with a similar number of customers perceiving a decline in other competitors’ competitiveness (such as Bristow or NHV) over this period.
18. We also note that contrary to the Parties’ submissions that Offshore UK was a weakened competitor (particularly during the ‘manage for value’ period), customers for which Offshore UK had recently declined to bid (such as [redacted]) still thought Offshore UK was a high-ranking supplier based on its offering.

²¹ [redacted] scored Uni-Fly 4 out of 5.

These customers also told us they were still likely to invite Offshore UK to bid on upcoming tenders, and submitted it would have some likelihood of winning.

19. We note that the majority of customers expressed concerns regarding the Merger,²² with many raising concerns that the Merger could lead to reduced competition and price increases. For example:
- (a) [REDACTED] told us ‘Reducing [the] level of competition may drive up costs and potentially impact performance’.
 - (b) [REDACTED] told us ‘The merging of Babcock and CHC risks giving less choice to the oil and gas industry in UKCS, with less competition in the market we would expect prices to increase over time adding an additional financial burden to an already expensive and aging region’.
 - (c) [REDACTED] told us ‘There is a possibility that the combined company would have a significant portion of the market share in Aberdeen. This could result in one, if not both, of the remaining helicopter operators leaving the region as they would not be competitive/viable due to perceived economies of scale. Were this to happen, [REDACTED] concern is that the combined company would control the market and be able to set pricing, scheduling and drive the oil and gas industry to use the helicopter of choice for the combined company rather than the correct helicopter for industry’.
 - (d) [REDACTED] told us ‘contract prices will increase due to this Merger, having tendered for this service in the last [REDACTED] years, knowing the offers made by all operators’.
 - (e) [REDACTED] told us ‘As is the case with any market changes where demand may be affected by availability of supply, there is the possibility that the market may see an increase to the prices and a reduction of aircraft frames following this merger, considering there will be only three main players in the market’.
20. We note that some customers were agnostic or unsure about the effects of the Merger,²³ and a minority thought the Merger would not lead to competition concerns.²⁴ For example:

²² 14 customers out of 26.

²³ 8 customers out of 26.

²⁴ 4 customers out of 26

- (a) [REDACTED] told us that ‘Between Bristow, NHV and CHC we expect that tenders shall continue to be competitively contested with a focus on delivering a profitable business based on their respective cost bases’.
- (b) [REDACTED] told us that the Merger ‘would effectively reduce the number of offshore aviation providers in the market and reduce market competition’, but also that ‘There are still a number of players in the marketplace to ensure tenders are competitively bid’.

21. We consider the prospects for sponsored entry and self-supply in Chapter 7.

Incumbent suppliers

22. The CMA sent questionnaires to Bristow and NHV during the phase 1 investigation to get their views on how they would rank the strength of their and their rivals’ UK O&G Offshore Transportation Services from a scale of 1 (weak) to 5 (strong). We further supplemented this information at phase 2 to fill in gaps in the previous response. The results of this are presented in Table 3 below.

Table 3: Scores given by Bristow and NHV on the strength of their rivals

Competitor	Bristow	CHC	NHV	Offshore UK	Uni-Fly	Wiking
Bristow	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NHV	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Competitor responses to questionnaires, supplemented by call information.

Note: 1 = weak, 5 = strong.

23. Bristow and NHV both thought that Offshore UK was a highly ranked rival ([REDACTED]), and that that CHC was also a highly ranked rival ([REDACTED]). The reasons Offshore UK and CHC were ranked highly were:

- (a) They are both experienced operators with multiple aircraft types supporting operations.
- (b) They both have a strong presence at all major O&G hubs and fly all major O&G aircraft types.²⁵ [REDACTED] also noted that CHC is present in Humberside for wind, and has a broader suite of aircraft and contracts which is why CHC was ranked a [REDACTED].

24. Bristow and NHV both agreed that Bristow was a highly ranked supplier ([REDACTED]). The reasons Bristow was ranked highly were:

²⁵ We note that Offshore UK is currently only present in Scotland, while CHC, Bristow and NHV are present in Scotland and England.

- (a) [REDACTED].
- (b) It has a strong presence at all major O&G hubs and flies all major O&G aircraft types.
25. Both Bristow and NHV agreed that NHV was a slightly weaker supplier overall ([REDACTED]). The reasons NHV was ranked [REDACTED] ([REDACTED]) were:
- (a) [REDACTED]. Bristow also mentioned NHV's aircraft (the H175) [REDACTED]. It is also limited to [REDACTED]. Bristow also submitted that [REDACTED].
- (b) Not flying heavy aircraft, so being limited in terms of range and payload for some missions. NHV also does not have any aircraft with full icing capability, which limits the ability to operate further North. NHV told us it could compete for [REDACTED]. This would depend on if the customer is happy using the H175, as the customer may need to accept a trade-off between range and number of passengers transported.
26. Neither Bristow nor NHV indicated the scores assigned to different parties would have changed substantially since 2017. [REDACTED]. NHV stated that while all suppliers have become somewhat stronger over the period, only NHV has materially changed, due to not having a strong presence in the market in 2017 compared to now.
27. NHV thought that Uni-Fly and Wiking were not strong rivals at present, with Uni-Fly being limited in the UK,²⁶ and relying on the CHC AOC to fly, and Wiking lacking scale, permanent bases and a UK AOC.²⁷ Bristow submitted other suppliers outside the four incumbents (such as Gama Aviation, Uni-Fly and Wiking) had the potential to offer services, but it is not clear how far they are minded to enter given the long-term prospects for the industry. Bristow did not provide a specific score for such suppliers.
28. When discussing tender processes, the incumbent suppliers submitted they generally have limited information from the customer as to what competitors they are facing or how they compare. Bristow stated that its starting assumption is that the four incumbents will all be bidding. [REDACTED]. NHV submitted that in almost all cases it would be competing against the other three incumbents, although for some larger contracts there may be a wider set of competitors. [REDACTED]. We discuss the tender process further in Chapter 6 and Appendix D.²⁸

²⁶ We note that Uni-Fly is a supplier to wind farms present in Humberside.

²⁷ [REDACTED].

²⁸ We discuss in Chapter 6 and Appendix D how many suppliers actually appear to have participated in tenders since 2017.

29. The incumbent suppliers also provided information on the ease of adapting aircraft used for SAR and transportation to offshore wind farms for use in O&G Offshore Transportation services (which may affect how likely – and quickly – such suppliers may be to start providing O&G Offshore Transportation services). Bristow submitted that aircraft used for SAR tend to be configured for these requirements, containing more hardware which would need to be removed. [REDACTED]. Bristow submitted it would be easier to adapt aircraft used in servicing wind farms, but such aircraft tend to be smaller and so have a more limited range. However, they may be able to service the central and southern North Sea areas. NHV also submitted that the range the aircraft used to service wind farms can achieve is significantly more limited. For example, NHV submitted an AW169 could provide 50% of the capacity of aircraft used for O&G, and would not be able to cover the longer distances required for O&G.

Potential entrants

30. We engaged with eight potential entrants through questionnaires and calls.²⁹ Of these, two provide oil and gas transportation services in other jurisdictions,³⁰ one provides SAR services,³¹ one competes for defence contracts,³² two provide transportation services for offshore windfarms,³³ one provides ‘Special Mission aviation services’ in the UK for Air Ambulance & Rescue and Energy & Offshore,³⁴ one is a global manufacturer of helicopters and also offers maintenance, repair and overhaul amongst other services,³⁵ and one used to be a competitor in the market.³⁶
31. Most potential entrants told us they would not be interested in entering the UK O&G Offshore Transportation services market, and that there were no conditions under which they would consider entering (ie any changes in the market). Reasons cited included:
- (a) One potential entrant said it has no desire to return to a sector which it left over ten years ago, and it does not consider the market to have a viable proposition. It told us the market is approaching the end of its lifecycle, and there is excessive pricing pressure producing loss making contracts.

²⁹ Airbus, Bel Air, [REDACTED], British International Helicopters, Gama Aviation, Serco, Uni-Fly and WestStar.

³⁰ Bel Air and WestStar.

³¹ British International Helicopter Services.

³² Serco.

³³ The suppliers who provide transportation services to UK wind farms are Bel Air, Bristow, NHV, Uni-Fly and Wiking.

³⁴ Gama Aviation.

³⁵ Airbus.

³⁶ [REDACTED].

- (b) Another potential entrant said it is too small to be able to scale up to provide the services required ([REDACTED] in terms of taking on the aircraft required [REDACTED]).
- (c) Another potential entrant told us it would not at this time consider entering this market, as the traditional E&O transportation market is not a primary target for it. It told us that ‘the work is highly regulated in a complex operating environment therefore the risk exposure is high. At the same time with fluctuating oil prices, declining productivity the oil majors, operators and venture capitalists involved want to keep operating costs low. Taken together this would disincentivise the selection of competent but new entrants into the market. In turn, this can drive oligopolies and poor market dynamics in E&O and related markets such as SAR’.
- (d) One potential entrant stated [REDACTED]. This potential entrant told us the market is saturated with operators, there is fierce competition, and oil prices are low. This, combined with the fact that profitability is low and there are very limited suitably big contracts (ie involving four to five aircraft) to justify entry from a profitability standpoint, make this market unsuitable for entry.
- (e) Three potential entrants told us they are simply not interested in entering the market.³⁷
32. The only potential entrant which indicated it would consider starting to provide O&G Offshore Transportation services in the UK told us that, it would only do so if the customers focused more on high service, reliability and safety than on price. The same potential entrant told us it had previously bid on the [REDACTED] tender, but had not been shortlisted due to price. No other potential entrants³⁸ told us they had had discussions with customers to supply O&G Transportation services in the UK.³⁹ For views of potential entrants and other third parties on countervailing factors, see Chapter 7.

Aircraft lessors

33. We asked lessors how feasible it would be to convert aircraft currently used for SAR or transportation to wind farms into O&G configuration. They told us that it is theoretically possible but economically unviable to retrofit SAR

³⁷ [REDACTED].

³⁸ [REDACTED].

³⁹ [REDACTED]. Similarly, [REDACTED] mentioned it had discussions to provide contracts related to O&G, but lost both bids due to a lack of experience as compared to a major operator.

helicopters for O&G use,⁴⁰ has never been done in practice as far as they are aware,⁴¹ and that this cost could be in the millions of pounds.⁴²

34. This is consistent with current SAR suppliers not being a competitive constraint on the Parties, as any such switching of aircraft would not be easy or low-cost to achieve.
35. Some lessors told us that it would be feasible to convert a helicopter used for transportation to wind farms to O&G offshore transportation,⁴³ and one submitted it would be inexpensive.⁴⁴ Another lessor told us that the AW139 helicopter is an example of a helicopter which can be used for both transportation to wind farms and for O&G, but that generally speaking smaller helicopters are used for wind farm transportation.⁴⁵

40 [REDACTED].
41 [REDACTED].
42 [REDACTED].
43 [REDACTED].
44 [REDACTED].
45 [REDACTED].

Appendix F: Evidence from internal documents and CHC bid pricing

Introduction

1. This appendix covers our evidence gathered from internal documents in relation to our competitive assessment. Given the importance of establishing to what extent Offshore UK remained a credible competitive constraint on CHC, we have focused our analysis on internal documents relevant to CHC's monitoring and commentary of Offshore UK, and how this monitoring and commentary compares to that of other competitors. We have also considered to what extent the Parties internal documents indicate that Offshore UK was constrained by CHC.
2. We have also examined CHC's bidding in a set of recent tenders, and particularly the role competition has played in determining its approach. Given the significant issues¹ with CRA's² quantitative approach to examining this, we have taken a qualitative approach, considering CHC's submissions as to how it set its prices and (where available) how this compares to the internal documents regarding those tenders.
3. We have structured this appendix as follows:
 - (a) The first main section covers our analysis of internal documents:
 - (i) We first set out evidence on the constraint of Offshore UK on CHC. We set out CHC's submissions and approach to competitor monitoring, before discussing the internal documentary evidence on CHC's views of Offshore UK.
 - (ii) We then set out evidence on the constraint of CHC on Offshore UK. We set out evidence of CHC attempting to win customers from Offshore UK and then discuss Offshore UK's monitoring of CHC.
 - (iii) We then set out evidence from internal documents on the Parties' consideration of the threat from new entrants.

¹ The limitations of the CRA analysis are discussed at paragraph 40.

² CRA are the Parties' economic adviser.

- (b) The second main section covers CHC's submissions on how its price setting responded to Offshore UK and competition. This includes a discussion of how the pricing strategy of CHC has changed since 2020:
- (i) We first set out the Parties' submissions on CHC's pricing strategy, particularly the CRA analysis and discuss the limitations of this.
 - (ii) We then set out our own analysis of factors influencing CHC's bid pricing. We explain the evidence used in this analysis and our observations from this. Details of each of the tenders considered are set out in the annex to this appendix.

Internal document evidence

Constraint of Offshore UK on CHC

CHC submissions

4. The Parties submitted that CHC [REDACTED].³ The Parties have stated that the main constraint on CHC was provided by Bristow and NHV.⁴

CHC approach to competitor monitoring

5. CHC submitted that it does not have [REDACTED]. It submitted that it often considers [REDACTED].
6. CHC told us that it had previously [REDACTED] and [REDACTED] when analysing an upcoming tender opportunity.⁵ Such comparisons were [REDACTED]. Some of these competitor price comparisons are discussed in relation to the CHC tenders below.⁶
7. CHC submitted that since [REDACTED]. CHC monitors those operators [REDACTED]. CHC submitted that it monitors [REDACTED].⁷
8. CHC also submitted two tender documents produced after completion of the Merger where CHC had listed the competitors in order of threat ([REDACTED]). In this

³ 'CHC's perception [REDACTED] is also illustrated by the fact that CHC [REDACTED], as shown by the analysis previously undertaken by CRA which [REDACTED]'. [Parties' response to Issues Statement](#), 4 January 2022, paragraph 4.12.

⁴ 'Whereas [Offshore UK] did not exercise a close competitive constraint on CHC, the evidence shows, by contrast, that Bristow and NHV are significant constraints on CHC'. [Parties' response to Issues Statement](#), 4 January 2022, paragraph 4.12.

⁵ [REDACTED].

⁶ CHC provided a commentary on the reasons behind the prices bid in ten tenders from 2019 to 2021; these are discussed later.

⁷ CHC stated that since 2017 it has generally monitored [REDACTED].

appendix we have focused on documents produced prior to any formal agreement in relation to the Merger.⁸

Documents reviewed for this analysis

9. We reviewed evidence from internal documents on how CHC regarded the competition from Offshore UK. These documents included board packs (for both the EMEA and global CHC board), emails and tender documents. In particular, we reviewed communications to and from senior executives about tender responses for UK O&G Offshore Transportation Services.⁹ This appendix focuses on the period from the middle of 2019 (before the Total Energies and IAC tenders) to 2021.
10. We have analysed whether there was any noticeable change in how CHC viewed Offshore UK over this period.

Evidence from internal documents on constraint from Offshore UK

11. CHC produced a regional monthly sales review, which discussed shares of supply as well as tendering, negotiations and pricing trends.¹⁰ The August 2019 sales meeting pack contained a slide on industry pricing, which was included with slight updates in later meetings. This indicates that [REDACTED] (see Figure 1).¹¹

Figure 1: O&G S92 Pricing - EMEA View

[REDACTED]

Source: CHC.

12. CHC's internal documents from the second half of 2019 discuss its competitors' positions in the market.
 - (a) A CEO or main board update for the European holding company within CHC in July 2019 includes slides on Sales Opportunity Updates for ongoing and upcoming sales opportunities, as well as a review of Customers/Competitors for the UK or 'EMEA West'. This includes the following comments relevant to named UK competitors:

⁸ The CMA's interpretation of internal document evidence will be affected by the context in which it was generated. The CMA will usually attach greater weight to evidence if it was generated prior to the period in which those firms were contemplating or aware of the merger. [MAGs](#), paragraph 2.29(a).

⁹ This includes [REDACTED].

¹⁰ We note that the [REDACTED] within CHC responsible for monitoring competitors [REDACTED]. Offshore UK may have competed differently (or CHC viewed Offshore UK differently) because of the Merger being considered.

¹¹ Of the [REDACTED].

'[REDACTED]'; and

'[REDACTED]'.

(b) A presentation to agree the final bid terms for the [REDACTED] included a slide on 'Competitive Pricing Evaluation – UK' which [REDACTED].

(c) A Board pack for the global CHC board from August 2019 set out a '[REDACTED]' which included the following mentions of UK competitors:

'[REDACTED]'; and

'[REDACTED]'.

(d) A senior management presentation from October 2019 to approve [REDACTED] IAC tender included a pricing analysis '[REDACTED]'. [REDACTED]. However, neither were expected [REDACTED]. [REDACTED].¹² Soon after the tender submission CHC believed [REDACTED].¹³

(e) [REDACTED] contract. An email from [REDACTED].¹⁴ This tender was for [REDACTED] and there is no mention of [REDACTED]. The email sets out:

'[REDACTED]'.

13. An annex to an early draft of CHC's tender approval pack for the [REDACTED] envisages various alternative scenarios in respect of [REDACTED].¹⁵ This includes a scenario where [REDACTED], as well as a scenario where [REDACTED]. The document did not conclude on which of these scenarios were most likely from CHC's perspective (see Figure 2).

Figure 2: Competitive Landscape Scenarios

[REDACTED]

Source: CHC.

14. The prominence given to Offshore UK in the tender approval documents varies between different tenders. Offshore UK was not discussed in the [REDACTED]. However, the majority of the work under this contract was for operations in [REDACTED].¹⁶

¹² CHC priced all the expected bids based on [REDACTED].

¹³ A presentation to the EMEA senior management in [REDACTED]. 'Similarly, an email from [REDACTED]'.

¹⁴ A comparison of competitors is also discussed in the tender approval presentation.

¹⁵ [REDACTED].

¹⁶ Another tender with a significant amount of non-UK (Denmark) scope was the Total tender. [REDACTED].

(a) The tender bidding documents (and slide on Competitive Pricing Evaluation) discussed [REDACTED]:

'[REDACTED]'.

15. The [REDACTED] contract was large and was ultimately won by Offshore UK. CHC was the incumbent and CHC [REDACTED], CHC considered it likely that [REDACTED]. This was stated under '[REDACTED]' in the pricing approval presentation to senior management:¹⁷

'[REDACTED]'.

16. Once Offshore UK had been awarded the [REDACTED] contract, the feedback CHC gathered from the [REDACTED] tender suggested to CHC that the winning price [REDACTED]:¹⁸

'[REDACTED]'.

17. CHC also considered Offshore UK in its bidding for other large UK contracts in 2020.

(a) [REDACTED] were both considered to be competitors for a [REDACTED] contract in Aberdeen:¹⁹

'[REDACTED]'.

(b) In the [REDACTED] contract CHC mainly discussed [REDACTED] but CHC still [REDACTED].²⁰

'[REDACTED]'.

18. CHC regularly reviewed its views of the competitive forces in the industry and noted the opportunities and threats posed by Offshore UK, other competitors, or other market features.

(a) After winning the [REDACTED] contract, [REDACTED]:²¹

'[REDACTED]'.

¹⁷ '[REDACTED]'.

¹⁸ This is from an EMEA senior management briefing discussing the '[REDACTED]'.

¹⁹ Based on the bidding approval documents that were prepared for this tender (under '[REDACTED]').

²⁰ Based on the slides that were prepared to gain approval for the proposed tender pricing (under '[REDACTED]').

²¹ This was a review done by senior EMEA management of how CHC [REDACTED].

(b) This message, that CHC considered [REDACTED] strategy, was repeated over several months in late 2020. CHC also commented on [REDACTED].²² CHC also discussed the statements from Babcock about its future in the market:²³

'[REDACTED]'.

(c) CHC viewed Offshore UK [REDACTED]:²⁴

'[REDACTED]'.²⁵

19. A review of the competitive position in [REDACTED] covering several different bases discussed competitive forces including suppliers and customers. This discussed Offshore UK in the context of [REDACTED]:

'[REDACTED]'.

20. At the start of 2021 Offshore UK was discussed by CHC in the [REDACTED] tender, although less so than [REDACTED].

(a) CHC was finding [REDACTED]:²⁶

'[REDACTED]'.

(b) During the [REDACTED] tender [REDACTED] was described as the [REDACTED]; however, CHC thought the [REDACTED]. Offshore UK ([REDACTED]) was modelled as [REDACTED], as shown in Figure 3. In the script that was prepared to talk through the proposed [REDACTED] tender bid with the senior CHC management, CHC noted:

'[REDACTED]

[REDACTED]'.

Figure 3: Competitive Pricing Evaluation for [REDACTED] tender

[REDACTED]

Source: CHC.

21. In March 2021 CHC was still referring to Offshore UK's '[REDACTED]', using the same language CHC did in late 2020. However, CHC also described Offshore UK as '[REDACTED]'.

²² This was a presentation on the future prospects for CHC in the UK which included [REDACTED]. [REDACTED].

²³ The CHC board minutes note, '[REDACTED]'.

²⁴ This was a presentation discussing how CHC expected [REDACTED] to react if CHC increased competition for customers or lowered prices.

²⁵ Also stated '[REDACTED]'.

²⁶ In the slides for the presentation to agree the bidding strategy with CHC senior management. [REDACTED].

(a) Offshore UK's strategy is '[REDACTED]' when CHC management discuss competition in the UK market in March 2021:²⁷

'[REDACTED]'.

(b) CHC considered Offshore UK [REDACTED]:²⁸

'[REDACTED]'.²⁹

Constraint of CHC on Offshore UK

Evidence from CHC documents

22. As well as considering whether Offshore UK is a constraint on CHC, we have also considered whether CHC is a constraint on Offshore UK. Evidence from CHC's internal documents shows that [REDACTED].³⁰

(a) Documents discuss CHC [REDACTED]. In particular:

(i) CHC talked to an [REDACTED]:³¹

'[REDACTED]'.

(ii) CHC discussed [REDACTED]:³²

'[REDACTED]'.

(iii) CHC stated that [REDACTED].

23. In some cases, CHC indicated that it believed it could [REDACTED].^{33,34}

(a) CHC [REDACTED].³⁵ CHC [REDACTED]:

'[REDACTED]'.

²⁷ Email from [REDACTED].

²⁸ A plan for [REDACTED].

²⁹ CHC also stated '[REDACTED]'.

³⁰ [REDACTED].

³¹ This was from an email update to [REDACTED].

³² This was produced for a board meeting of CHC group, under the regional overview- EMEA. [REDACTED].

³³ CHC considered [REDACTED]. '[REDACTED]'.

³⁴ There are also mentions of CHC [REDACTED].

³⁵ CHC also [REDACTED].

Offshore UK approach to competitor monitoring

24. We have also considered evidence from the Fisher Business as to how it monitored competition in the UK and, with this in mind, what its documents indicate about the constraint from CHC.
25. We asked the Fisher Business how it approaches competitor monitoring. The Fisher Business submitted that any competitive assessment must, by definition, be subjective because no reliable and meaningful market data is published or shared by the Fisher Business and other helicopter operators' customers. In addition, in recent years, operators bid behaviour was almost impossible to predict due to the 'survival mode' they found themselves in. In particular, two competitors of the Fisher Business (CHC and Bristow) went through bankruptcy and restructuring processes (Chapter 11), which potentially changed their short and long-term strategies and bidding behaviour. In light of this, [REDACTED].
26. The Fisher Business explained [REDACTED]. However, as part of a tender process, when presenting its response for corporate governance approval ([REDACTED]), Offshore UK would [REDACTED]. Offshore UK would have to assume [REDACTED]. Typically, Offshore UK would [REDACTED]. Offshore UK would assess those competitors in relation to its chances of winning a specific bid and/or assess [REDACTED] in relation to that specific bid, based on [REDACTED].
27. The Fisher Business also noted that for specific purposes, [REDACTED].

Evidence from Offshore UK internal documents

28. Offshore UK did not give any indication that [REDACTED].³⁶
29. Despite [REDACTED], there is evidence of Offshore UK monitoring competitors including CHC.
 - (a) A UK 'competitor analysis' prepared by Offshore UK in June 2020 [REDACTED]. [REDACTED].
 - (b) During the [REDACTED] Offshore UK speculated as to whether CHC would bid. It noted that [REDACTED]. It also commented on the prospects of Bristow and NHV and noted '[REDACTED]'.

³⁶ The Fisher Business [REDACTED]. '[REDACTED]'.

- (c) When bidding for an ad hoc contract for [REDACTED] in July 2020 Offshore UK asks [REDACTED].³⁷
- (d) During the [REDACTED], Offshore UK considered the [REDACTED]. It also commented on the position of [REDACTED] and NHV ([REDACTED]).
- (e) During the [REDACTED] Offshore UK considered each of [REDACTED]. Offshore UK noted [REDACTED]'. In relation to [REDACTED], the document states that [REDACTED]'.³⁸
- (f) During both the [REDACTED] Offshore UK considered the rival bidders, but [REDACTED] in their offering to the customer and Offshore UK did not consider which competitor was more likely to be successful. This analysis considered only the [REDACTED], but also included [REDACTED] in relation to [REDACTED].³⁸

30. In terms of [REDACTED] monitoring for specific purposes (noted in paragraph 29), Fisher Business gave the example of a [REDACTED]. This slide deck included a 'Competitor Analysis' discussing [REDACTED]. It noted [REDACTED].

Constraint from new entrants

CHC's views on entrants

- 31. We have considered what the internal documents show about how the Parties viewed entrants in the period leading up to the merger. We have also considered the submissions CHC has made on internal documents in relation to the potential for entry.³⁹
- 32. CHC mentioned entrants in internal documents in 2020 using similar language in several presentations to senior management (particularly at EMEA level) where competitors were discussed. [REDACTED]:

'New entrants

- [REDACTED] is becoming more visible in the market place since the [REDACTED]. They were seriously considered for the [REDACTED]for example
- '[REDACTED]'.

³⁷ '[REDACTED]'.

³⁸ [REDACTED].

³⁹ CHC provided some internal document references in relation to the potential for entry. We did not find that these added to the insights from the documents covered in this appendix. Some of the documents CHC mentioned have already been quoted above. Some of the documents were only relevant to entry outside the UK. The other documents do not appear to be relevant as they do not refer to entrants or potential entry. Some of the documents were produced after the Merger was completed.

33. CHC updated its view on the threat posed by entrants in a EMEA senior management presentation in March 2021 where competitive forces were discussed. This presentation stated that CHC were unaware of entrants winning contracts.

'New entrants

[REDACTED]'.
[REDACTED]

Offshore UK's views on entrants

34. Offshore UK mentioned entrants in a small number of its internal documents mostly in relation to tenders where it did not expect new entrants to bid to outline the difficulties faced by entrants. The most recent example for a UK base is from the tender approval documents for the [REDACTED] which was one of the largest contracts from [REDACTED] and happened shortly before [REDACTED]:

'[REDACTED]'.
[REDACTED]

New entrants affecting bidding behaviour

35. Considering the bidding documents of both CHC and Offshore UK, [REDACTED].
36. CHC considered the ability of both [REDACTED] and [REDACTED] to bid for the tender in their bidding presentation to senior management. These entrants were considered after they had considered the four UK incumbent suppliers (including themselves and Offshore UK).
37. The tender document considered [REDACTED], then considered [REDACTED]. The bidding document identified that [REDACTED] and [REDACTED] (although [REDACTED]). CHC modelled [REDACTED] as lowest cost followed by [REDACTED] then [REDACTED], [REDACTED], and finally [REDACTED] and [REDACTED] together as the highest cost.⁴⁰
38. Offshore UK considered [REDACTED].

Figure 4: Offshore UK's competitive landscape for the [REDACTED]tender

[REDACTED]

Source: Babcock.

⁴⁰ Appendix D shows that [REDACTED].

Analysis of factors influencing CHC's pricing in tenders

Parties' submissions

39. The Parties' economic advisers (CRA) produced an analysis of CHC's pricing across different tenders. It stated that this shows that CHC's prices were no higher after Offshore UK had stopped participating in tenders than when Offshore UK was active in tenders. At phase 1 CRA described the analysis as a natural experiment on the role of Offshore UK in influencing the prices bid by CHC.⁴¹

CMA analysis of CRA submission

40. The CMA disagrees with the underlying assumptions for CRA's analysis. In particular:
- (a) There is no evidence that CHC realised Offshore UK had stopped bidding in tenders. CHC's internal documents show CHC [REDACTED].⁴²
 - (b) The sample is too small to produce any robust quantitative analysis to explore differences in prices. This is particularly the case given there were other factors (apart from competition) that affected CHC's tender bidding during this period. In particular the [REDACTED]. We note that there is significant variation in the bid price levels before the period CRA states Offshore UK was not bidding, showing that prices clearly vary for other reasons.
 - (c) CHC told us that [REDACTED]. CHC noted that [REDACTED].⁴³

CMA analysis of factors influencing CHC's bid pricing

41. Given the limitations noted above, we have tried to consider in a more qualitative way the factors that influence CHC's prices and the role of

⁴¹ Irrespective of the counterfactual, the tender data show that [Offshore UK] has not been bidding for contracts over the last 18 months. The absence of [Offshore UK] as an active bidder on significant contracts over this period provides a natural experiment to consider whether the loss of [Offshore UK] as a competitor will have an impact on competition. As CHC's tender pricing data shows below, there is no evidence that CHC increased its price on contracts given [Offshore UK]'s participation. This is consistent with CHC's continuing to be constrained by NHV and Bristow absent [Offshore UK]'. [Parties' response to Issues Statement](#): a review of the tender analysis by CRA, paragraph 2.4.

⁴² The three main tenders that were included by CRA to show the impact of Offshore UK not bidding were: [REDACTED], [REDACTED] and [REDACTED]. The transparency of tenders and whether bidders are aware of the other bidders involved is discussed in the Appendix D.

⁴³ CRA used [REDACTED].

competition in this. A more general analysis of tendering in the O&G Offshore Transportation Services market is set out in Appendix D.⁴⁴

42. We first set out CHC's submissions regarding its pricing strategy and how this is affected by competition. We then consider how CHC's pricing was affected by competition in a subset of specific tenders or negotiations for which CHC has provided information. Further detail around these specific pricing decisions is set out in the annex to this appendix.

CHC's submissions

43. CHC stated that it typically considers [REDACTED] when determining the price to submit in bidding for tenders: [REDACTED].
44. CHC stated that in addition to [REDACTED], CHC estimates competitive bid price based on [REDACTED]. CHC will then try to [REDACTED]. During some tenders a customer tells CHC that the [REDACTED]. If the contract is [REDACTED], CHC stated [REDACTED].

Background to the evidence received

45. We asked CHC to provide the rationale behind the prices bid for a range of pricing decisions. The tenders and negotiations that were requested were those included in the CRA phase 1 analysis that included [REDACTED].⁴⁵ CRA had selected these price negotiations as ones where there could theoretically be some influence of competition on pricing.
46. CHC stated that it does not have internal documents that discuss the reasons for the choice of each price point. CHC instead gave an explanation of how CHC chose the prices submitted to the customer.⁴⁶ CHC stated that in order to provide a rationale for the bids, someone with knowledge of the tenders or negotiations would have to review the documents. CHC stated that the relevant personnel with knowledge of the pricing decisions in 2017 and 2018 had left. Thus, CHC provided some rationale for pricing decisions dated between January 2019 and April 2021 where CHC had knowledge of the price formation process (a total of 10 pricing decisions).⁴⁷

⁴⁴ We do not have the same information for Offshore UK, so we have followed a different approach when considering pricing decisions made by Offshore UK. Our analysis of recent bidding by Offshore UK ([REDACTED]) is discussed in Chapter 6. A detailed analysis of earlier bidding by Offshore UK (eg 2018) has not been possible due to the difficulty obtaining email evidence and the change in key personnel.

⁴⁵ [REDACTED]. [Parties' response to Issues Statement](#): a review of the tender analysis by CRA, paragraph 2.4. The tenders included in this analysis were adjusted and re-submitted by CHC

⁴⁶ Some of the calculations and figures that were bid at different stages of the tender process (initial tender and any subsequent negotiations) were provided [REDACTED].

⁴⁷ CHC's [REDACTED], and CHC considered no one else would be able to carry out the exercise for earlier years.

Summary of observations

47. Given that we have information only about a limited number of pricing decisions and are largely reliant on information provided by CHC's [REDACTED] rather than contemporaneous documents, we consider there are significant limitations to the conclusions which can be drawn from this analysis. Nevertheless, we set out below our observations from this information.
48. The analysis of CHC's approach to tenders demonstrates that CHC often [REDACTED] by other O&G offshore transportation services suppliers and CHC [REDACTED], to try to win contracts from these suppliers.
49. CHC reacted when customers told CHC there [REDACTED]. However, CHC did not always respond to general statements by customers and [REDACTED].⁴⁸ CHC was [REDACTED].⁴⁹
50. CHC stated they [REDACTED].⁵⁰ However, at the time of submitting the best and final offer CHC [REDACTED]. It is not clear if CHC would have been willing [REDACTED].⁵¹
51. CHC's descriptions of its rationale often indicate that [REDACTED]. However, as noted in our analysis of internal documents, CHC has monitored and considered the position of Offshore UK, alongside that of NHV and Bristow, across many of the more significant tenders in which it was competing, including in 2020 and 2021 as well as before this.
52. Since the start of 2020 CHC appears to have been [REDACTED], at least in part due to its [REDACTED].⁵² This strategy was [REDACTED]. CHC has [REDACTED]. These customers included [REDACTED]. CHC also [REDACTED]. CHC thus posed a strong competitive constraint on Offshore UK.
53. In some of the contracts CHC has attempted to win [REDACTED], CHC has still considered the position of competitors in order to price its [REDACTED].

⁴⁸ For example, the [REDACTED] tender in [REDACTED] and the [REDACTED] tender in [REDACTED].

⁴⁹ For example, [REDACTED].

⁵⁰ In relation to the [REDACTED], the internal documents suggested that although [REDACTED] the tender ([REDACTED]), CHC [REDACTED].

⁵¹ '[REDACTED]'.
⁵² '[REDACTED]'.
⁵² '[REDACTED]'.
⁵² '[REDACTED]'.

Annex: examples of CHC tenders

1. CHC provided a commentary on the (ten) tenders or significant customer negotiations since 2019 where CHC was able to recall details of the negotiating and price determination process. Due to the limited number of recent tenders, some of these pricing examples may not have involved the customer considering any alternative suppliers, but these examples still indicate the role of competition and cost in determining CHC's pricing. In support of these points, CHC provided a spreadsheet compiled by CRA of tender prices, as well as internal document emails setting out the prices quoted for a number of the tenders.⁵³
2. In mid-2020 there was a change in how CHC set prices for customer contracts involving [REDACTED]. We discuss the customer negotiations under the previous pricing strategy. Then we discuss the change in strategy, followed by some examples of customer negotiations and tenders that were affected by this change in strategy.

[REDACTED]

3. [REDACTED].
4. [REDACTED].
5. [REDACTED].
6. [REDACTED].
7. [REDACTED].
8. [REDACTED].
9. [REDACTED].⁵⁴
10. [REDACTED].
11. [REDACTED].
12. [REDACTED].
13. [REDACTED].

⁵³ However, there was limited evidence provided to demonstrate the reasoning for the pricing decisions.

⁵⁴ [REDACTED].

14. [REDACTED].
15. [REDACTED].
16. [REDACTED].
17. [REDACTED].
18. [REDACTED]:
19. [REDACTED].

[REDACTED]

20. [REDACTED].
21. [REDACTED].
22. [REDACTED].⁵⁵
23. [REDACTED].
24. [REDACTED].

CHC's change in pricing strategy and recent competitive activity

25. CHC has changed its pricing strategy, [REDACTED].⁵⁶ We now consider the pricing strategy, pricing decisions, tender submissions, and customer negotiations made by CHC after this change.
26. CHC lost [REDACTED]. CHC lost out on the large contracts ([REDACTED]) to Offshore UK in 2019.⁵⁷ However, CHC appears to have been competing more successfully for clients since then.
27. [REDACTED].⁵⁸
28. [REDACTED].^{59,60}
29. [REDACTED].⁶¹

⁵⁵ '[REDACTED]'.
⁵⁶ '[REDACTED]'.
⁵⁷ CHC has lost [REDACTED] customer contracts between 2017 and 2021, but [REDACTED]. These are the contracts for [REDACTED].
⁵⁸ CHC [REDACTED]. However, it appears this has been a bigger part of CHC's strategy, [REDACTED].
⁵⁹ '[REDACTED]'.
⁶⁰ '[REDACTED]'.
⁶¹ The [REDACTED] opportunities were [REDACTED].

30. [✂].

31. [✂].

32. [✂].

33. [✂].

34. [✂].

35. [✂].

36. [✂].

37. [✂].

38. [✂].

[✂]

39. [✂].

40. [✂].

41. [✂].⁶²

42. [✂].

⁶² [✂].

Glossary

Term	Definition
The Act	Enterprise Act 2002.
ACCC	Australian Competition and Consumer Commission.
ANO	Air Navigation Order.
AOC	UK Air Operator's Certificate.
Babcock	Babcock International Group plc.
Bain	Bain Capital Credit LP.
BIH	British International Helicopters.
Bristow	Bristow Helicopters Ltd.
CAA	Civil Aviation Authority.
CAWTR	Civil Aviation (Working Time) Regulations.
CHC	CHC Group LLC.
CMA	The Competition and Markets Authority
CPL	Commercial Pilot Licence.
Cross Ocean	Cross Ocean Partners Management LP.
EASA	European Union Aviation Safety Agency.
EHOB	EEA Helicopter Operations B.V.
EMS	Helicopter Emergency Medical Service.
Fisher Business	Offshore Helicopter Services UK Limited, Offshore Services Australasia Pty Ltd and Offshore Helicopter Services Denmark A/S.
HSE	Health and Safety Executive.
HCA	Helideck Certification Agency.

IAC	Also known as the Shetland Consortium.
Incumbents	The four suppliers of O&G Offshore Transportation Services currently active in the UK (The Parties, Bristow and NHV).
The Industry	Offshore helicopter travel industry.
IFRS16	New accounting standard, IFRS 16.
Inquiry Group	A group of CMA panel members appointed to further investigate and report on the phase 2 merger inquiry of the completed acquisition by CHC Group LLC of Offshore Helicopter Services UK Limited, Offshore Services Australasia Pty Ltd and Offshore Helicopter Services Denmark A/S (previously part of Babcock International Group plc's corporate group).
IOGP	International Association of Oil & Gas Producers.
Limb 1	The first limb of the failing firm test, as outlined in the Mergers Assessment Guidelines (CMA129) paragraphs 3.26 to 3.29.
Limb 2	The second limb of the failing firm test, as outlined in the Mergers Assessment Guidelines (CMA129) , paragraphs 3.30 to 3.32.
MAGs	Mergers Assessment Guidelines (CMA129) .
Manage for Value	Babcock's strategic review of the Fisher Business, deciding to manage it for value.
The Merger	The completed acquisition by CHC Group LLC of Offshore Helicopter Services UK Limited, Offshore Services Australasia Pty Ltd, and Offshore Helicopter Services Denmark A/S.
The Merged Entity	CHC and the Fisher Business together.
MRO	Maintenance, repair and overhaul.
NHV	NHV Helicopters Ltd
Northern Zone	Flights in the Northern North Sea ie above 56N.

OEM	Original Equipment Manufacturer.
Offshore Australia	Offshore Services Australasia Pty Ltd.
Offshore Denmark	Offshore Helicopter Services Denmark A/S.
Offshore UK	Offshore Helicopter Services UK Limited.
O&G	Oil & Gas.
O&G Offshore Transportation Services	The supply of helicopter services to transport crews to and from offshore oil and gas platforms.
OHRP	Offshore Helicopter Recommended Practices.
ORL	Operating Route Licence.
The Parties	CHC, the Fisher Business and Babcock.
PCGs	Parent Company Guarantees.
Phase 1 Decision	The CMA's phase 1 decision, dated 18 November 2021 and found here .
PE	Private equity.
RMS	Relevant Merger Situation.
SAR	Search and rescue operations.
SLC	Substantial Lessening of Competition.
Southern Zone	Flights in the Southern North Sea ie below 56N.
The Transaction	CHC's acquisition of Babcock's O&G Offshore Transportation Services business in the UK, Australia and Denmark (ie the Fisher Business), through the acquisition of the entire issued share capital of Offshore UK, Offshore Australia and Offshore Denmark, pursuant to a share purchase agreement dated 27 February 2021.
UK	United Kingdom.
UKCS	UK Continental Shelf.