



McGrigors Pension Trustees Limited

Please note that [REDACTED] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

BY E-MAIL

Rob Fitzgerald-Crisp
Principal Case Officer
CHC/Babcock merger inquiry
Competition and Markets Authority
The Cabot
25 Cabot Square
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Your Ref:
Our Ref: [REDACTED]

DDI [REDACTED]
F [REDACTED]
E [REDACTED]

7 April 2022

Dear

Subject: Trustees of the CHC Scotia Pension Scheme's response to the CMA's provisions findings report dated 17th March 2022.

This letter is sent by the Trustees of the CHC Scotia Pension Scheme's (the "Scheme"). The Scheme is sponsored by CHC Scotia Limited as employer, with the employer's obligations being guaranteed by CHC Group LLC, as set out in more detail below. This letter sets out the Trustees' response to the Competition and Markets Authority's ("CMA") provisional findings report dated 17th March 2022 regarding its investigation into the acquisition by CHC Group LLC ("CHC") of Offshore Helicopter Services UK Limited, Offshore Services Australasia Pty Ltd and Offshore Helicopter Services Denmark A/S (together referred to as the "Fisher Business").

The Trustees' principal concern is the CMA's recommendation that CHC sell the Fisher Business. The Trustees believe that such a sale would be seriously detrimental to the interests of the Scheme and its members, who are current and former employees of the employer, and their dependants. As discussed below, [REDACTED]¹. As Trustees, we are extremely concerned that [REDACTED].

For background, the covenant support provided to the Scheme is primarily through its principal employer, CHC Scotia Limited, and also through the guarantee provided by CHC which covers the Scheme [REDACTED]. At the 1st July 2018 actuarial valuation, the Scheme [REDACTED]. The covenant support provided by CHC Scotia Limited and CHC (through the guarantee) relative to the size of the funding deficits was determined [REDACTED], which is [REDACTED]. Key factors contributing to the covenant conclusion included the impact of low and volatile oil prices since the collapse in 2014 which has led to a sharp reduction in helicopter demand from oil & gas producers, significant helicopter overcapacity which resulted in distressed operators continuing to drive down prices to new lows and [REDACTED].

Since the 2018 actuarial valuation, the Trustees have continued to monitor the financial results and performance of both CHC Scotia Limited and CHC through management updates provided at quarterly Trustee meetings and the statutory accounts of the former. Over the last three and a

¹ Employer covenant assessment by Aon dated 19th October 2018.

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half years, CHC has restructured heavily in an effort to [REDACTED] and reduce its cash consumption rate by cost cutting and increasing the efficiency of its operations. Despite these efforts, trading has remained challenging and [REDACTED].

In today's depressed market, CHC's acquisition of the Fisher Business provided some optimism for the Trustees, as it was understood to provide an opportunity for CHC to continue progressing its plan to [REDACTED] and reduce the oversupply of helicopters which haunts the market. The Trustees understand that that Fisher Business was heavily loss making over a number of years prior to its acquisition by CHC. We, therefore, very much believe the acquisition was born out of [REDACTED] as opposed to an opportunity to make excessive profits.

The Trustees note that in 1999 the Competition Commission investigated CHC Helicopter Corporation's purchase of Helicopter Service Group, which owned one of the two major North Sea Helicopter operators, Bond Helicopters Limited. Not long before, CHC Helicopter Corporation had also purchased Brintel Helicopters which was a loss-making helicopter operator. The only other helicopter operator at this time was Bristow Helicopters Limited. Despite this purchase resulting in just two remaining helicopter operators in the North Sea market, the Commission allowed the purchase to go ahead.

The acquisition of the Fisher Business has resulted in [REDACTED]. If CHC were forced to sell the Fisher Business, there is [REDACTED]. It is possible that a sale could potentially [REDACTED]. A sale transaction would have very material and adverse implications for the Scheme and its beneficiaries and is likely to be of concern to the Pensions Regulator. [REDACTED].

Therefore, the CMA should be aware that a forced disposal of the Fisher Business [REDACTED] which could have severe consequences to the Scheme and its members, and we ask that the CMA takes this potential outcome fully into account before reaching a final decision on the matter.

Yours sincerely

Ian Gordon
Director
for McGrigors Pension Trustees Limited
Chair of the Trustees of the CHC Scotia Pension Scheme