

# Anticipated Acquisition by Altrad of Stork

## Decision on relevant merger situation and substantial lessening of competition

**ME/7115/24**

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 19 December 2024. Full text of the decision published on 23 January 2025.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range, which are shown in square brackets.

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# SUMMARY

## OVERVIEW OF THE CMA'S DECISION

1. The Competition and Markets Authority (**CMA**) has found that the acquisition by Altrad UK Limited (**Altrad UK**) of Stork TS Holdings Limited (**Stork**) is a relevant merger situation that does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
2. In April 2024, Altrad UK agreed to acquire the entire issued share capital of Stork pursuant to a share purchase agreement. The CMA refers to this acquisition as the **Merger**. Altrad UK is a subsidiary of a group of companies controlled by Altrad Investment Authority (collectively **Altrad Group**). The CMA refers to the Altrad Group, together with its subsidiaries, collectively as **Altrad**. Altrad and Stork are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.

### Who are the businesses and what products/services do they provide?

3. Both Altrad and Stork supply industrial maintenance services, including fabric maintenance services (**FM services**), to the oil and gas (**O&G**) sector in the UK. The CMA looked in detail at the provision of FM services in the offshore O&G sector, which refers to FM services provided to customers operating offshore O&G extraction facilities, such as fixed and floating production platforms and drilling rigs.

### Why did the CMA review this merger?

4. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that the CMA has jurisdiction to review this Merger because a relevant merger situation has been created: each of the Parties is an enterprise that will cease to be distinct as a result of the Merger and the turnover test is met.

### What evidence has the CMA looked at?

5. In assessing this Merger, the CMA considered a wide range of evidence in the round.
6. The CMA received several submissions and responses to information requests from the Parties. The CMA also examined bidding data, and a number of the Parties' own internal documents. The CMA gathered information about the extent

to which the Parties currently compete against each other and the competitive strength of other suppliers of FM services.

7. The CMA spoke to, and gathered evidence from, third parties to understand better the competitive landscape and to get their views on the impact of the Merger. In particular, the CMA received evidence from customers and competitors of the Parties.

### **What did the evidence tell the CMA about the effects on competition of the Merger?**

8. The CMA looked at whether the Merger would lead to a SLC in the supply of FM services to customers in the offshore O&G sector in the United Kingdom Continental Shelf (**UKCS**).
9. The Parties both supply FM services to customers in the offshore O&G sector. The CMA found that, although the Merged Entity would be the largest supplier by share of supply, other providers (eg Bilfinger, Brand and KAEFER) would exert a sufficient competitive constraint on the Merged Entity. For example, evidence from customers shows that there would be a sufficient number of alternative suppliers of FM services available post-Merger.

### **What happens next?**

10. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

# ASSESSMENT

## PARTIES, MERGER AND MERGER RATIONALE

1. Altrad provides industrial services in many sectors, including the O&G sector, as well as manufacturing construction and building equipment, scaffolding, access equipment, street furniture and public authority products.<sup>1</sup> Altrad UK is a non-trading holding UK subsidiary of Altrad. Altrad UK, through its subsidiaries, provides industrial services (such as environmental services, tank maintenance and new build, offshore fabric maintenance and deck crew services) principally to the O&G sector, as well as to the energy, power generation, process, nuclear defence and construction industries globally.<sup>2</sup> Altrad has completed a number of acquisitions in recent years, including the acquisition of Muehlhan Industrial Services Limited (**Muehlhan**), a company active in the provision of FM services in 2021.<sup>3</sup> The turnover of Altrad in the financial year ending 31 August 2023 was approximately £1.3 billion (EUR 1.5 billion) in the UK.<sup>4</sup>
2. Stork provides integrity, mechanical and industrial services. In particular, Stork specialises in the provision of industrial maintenance services, including FM services, to the O&G sector in the UK.<sup>5</sup> Stork is a wholly owned subsidiary of the Fluor Corporation (**Fluor**).<sup>6</sup> The turnover of Stork in the financial year ending 31 December 2023 was approximately £203 million in the UK.<sup>7</sup>
3. Altrad and Stork are together referred to as the **Parties** and, for statements relating to the future, the **Merged Entity**.
4. On 16 April 2024, Altrad, via Altrad UK, agreed to purchase the entire issued share capital of Stork from Fluor (the **Merger**).<sup>8</sup>
5. Altrad submitted that the main strategic rationales for the Merger are (i) complementing Altrad's existing services portfolio, by allowing Altrad to broaden its range of industrial maintenance services and enabling Altrad to cross-sell through combining the Parties' respective customer bases; and (ii) achieving [X].<sup>9</sup>

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<sup>1</sup> Final Merger Notice submitted to the CMA on 22 October 2024, paragraph 2.2.

<sup>2</sup> FMN, paragraph 2.10.

<sup>3</sup> FMN, paragraph 4.3. See also Altrad Internal Document, Annex 35 FMN, page 62.

<sup>4</sup> FMN, paragraph 2.4.

<sup>5</sup> FMN, paragraph 2.14.

<sup>6</sup> FMN, paragraph 2.11.

<sup>7</sup> FMN, paragraph 2.13.

<sup>8</sup> FMN, paragraph 2.17.

<sup>9</sup> FMN, paragraph 2.58.

6. Furthermore, Stork submitted that Fluor decided to exit maintenance services in the O&G and chemicals markets in 2021,<sup>10</sup> a strategy it has pursued through divesting various operations including the sale of the Stork Europe business.<sup>11</sup>
7. The CMA considers that the Parties' internal documents broadly support this rationale.<sup>12</sup>

## PROCEDURE

8. The CMA's mergers intelligence function identified the Merger as warranting an investigation.<sup>13</sup>
9. The CMA commenced its phase 1 investigation on 25 October 2024. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties. In response to targeted information requests, the CMA received and reviewed internal documents from Altrad and Stork to understand the alternative constraints they face. The Parties also had opportunities to make submissions and comment on our emerging thinking throughout the phase 1 investigation. For example, in November 2024, the CMA invited the Parties to attend an Issues Meeting, and the Parties submitted their views in writing. The CMA also gathered evidence from other market participants, such as customers and competitors of the Parties. The evidence the CMA has gathered has been tested rigorously, and the context in which the evidence was produced has been considered when deciding how much weight to give it.
10. Where necessary, this evidence has been referred to within this decision.
11. The Merger was considered at a Case Review Meeting.<sup>14</sup>

## JURISDICTION

12. Each of Altrad and Stork is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
13. The CMA has jurisdiction to review a merger where either (a) the target company generates more than £70 million of turnover in the UK (the turnover test); or (b) the merger results in the parties having a share of supply of goods or services of any

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<sup>10</sup> FMN, paragraph 2.18.

<sup>11</sup> FMN, paragraph 2.26.

<sup>12</sup> Altrad Internal Document, Annex 26 FMN, March 2024, page 5; Altrad Internal Document, Annex 27 FMN, October 2023, pages 3, 13, 15, 16 and 18; and Stork Internal Document, Annex 58 FMN, pages 3 and 4.

<sup>13</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2\)](#), 25 April 2024, paragraphs 6.4–6.6.

<sup>14</sup> [CMA2](#), page 39.

description in the UK (or in a substantial part of the UK) of 25% or more, and the merger results in an increment to the share of supply (the share of supply test).

14. The UK turnover of Stork exceeds £70 million in 2023 so the turnover test in section 23(1)(b) of the Act is satisfied.
15. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
16. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 25 October 2024 and the statutory 40 working day deadline for a decision is therefore 19 December 2024.

## COUNTERFACTUAL

17. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>15</sup>
18. The Parties submitted that the relevant counterfactual against which to assess the Merger is the prevailing conditions of competition.<sup>16</sup> The CMA has not received submissions or other evidence suggesting that the Merger should be assessed against an alternative counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

## COMPETITIVE ASSESSMENT

### Background and nature of competition

19. The Parties primarily overlap in the supply of FM services to the offshore O&G sector.<sup>17</sup>
  - (a) FM services are a subset of industrial maintenance services, which are part of a wider segment of operations and maintenance (**O&M**) services.<sup>18</sup> FM

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<sup>15</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

<sup>16</sup> FMN, paragraph 10.1.

<sup>17</sup> The Merger would result in a potential additional horizontal overlap in the onshore O&G sector, and a vertical relationship between the Parties as Stork supplies (and Altrad purchases) asset integrity and equipment rental services. Following initial scrutiny of these areas with the Parties and third-party market participants, the CMA does not believe that any plausible Merger-related competition concerns could arise. In the onshore O&G sector the Parties do not overlap, as Altrad is active in the supply of scaffolding, insulation and painting (SIP) services, whereas Stork is active in the supply of asset integrity services to the onshore O&G sector, and there are a range of alternative suppliers. In relation to possible vertical concerns, which were raised by third parties, the evidence shows that the Merged Entity would not have the ability to foreclose (i) rival FM services suppliers, due to its low share of supply and the availability of alternative suppliers of asset integrity and equipment rental services; and (ii) suppliers of asset integrity and equipment rental services, due to the minimal share of total purchases accounted for by Altrad. These additional areas of overlap are therefore not discussed any further in this decision.

<sup>18</sup> Note of a call with a third party, September 2024, paragraph 3.

services cover a broad spectrum of work aimed at maintaining the assets and protecting them against corrosive factors, such as weather and sea water. FM services typically comprise access solutions (rope access and scaffolding), surface preparation (painting, coatings), insulation, passive fire protection and environmental/industrial cleaning services.

- (b) The Parties provide FM services to the offshore O&G sector, which refers to customers operating offshore O&G extraction facilities, such as fixed and floating production platforms and drilling rigs.<sup>19</sup>

20. Contract opportunities are typically won through competitive tenders or through extensions to existing contracts. Competition is focused on a number of factors: price, technical capability, health and safety record, track record, quality of service, and client care.<sup>20</sup> FM services contracts have a typical duration of one to three years and customers typically have an option to renew the contract for at least one further year.<sup>21</sup>
21. A number of assets currently active in the UKCS are reaching their end of life.<sup>22</sup> However, around two thirds of the assets in the UKCS operated by customers contacted by the CMA have a remaining lifespan of at least five years.<sup>23</sup> Furthermore, for over a third of all assets currently active in the UKCS, customers anticipated retendering for FM services over the remaining lifespan of the asset.<sup>24</sup> This is consistent with internal documents from Altrad, which indicate that while it is expected that the O&G sector will decline in the long term, demand for FM services to offshore customers is expected to remain strong over at least the next several years.<sup>25</sup>

## Market definition

22. Where the CMA makes an SLC finding, this must be ‘within any market or markets in the United Kingdom for goods or services’. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant

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<sup>19</sup> The Parties refer to this as the ‘upstream offshore O&G sector’. FMN, paragraph 11.7. In its assessment of market definition, the CMA considered but left open the question of whether the market for offshore FM services should also include the market for FM services to onshore reception terminals where O&G first comes to shore (ie FM services to the ‘midstream’) (see paragraphs 30–32).

<sup>20</sup> FMN, paragraph 14.62; Note of a call with a third party, September 2024, paragraph 18; and Note of a call with a third party, September 2024, paragraph 11.

<sup>21</sup> FMN, paragraph 14.61; and Response to the CMA questionnaire from a number of third parties, October 2024, question 7.

<sup>22</sup> The Parties also submitted that the O&G sector in the UKCS is in decline (FMN, paragraph 22.5). However, the Parties did not make any submissions in relation to how this could affect the CMA’s assessment. For example, they did not submit that the relevant market for assessing the Merger meets the criteria for the CMA’s ‘de minimis’ exception or that, as a result of the decline, any SLC arising as a result of the Merger would be time limited.

<sup>23</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 2.

<sup>24</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 2.

<sup>25</sup> See, for example, Altrad Internal Document, Annex 35 FMN, June 2023, pages 15, 35, 158 and 159.

market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.<sup>26</sup>

23. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.<sup>27</sup>
24. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.<sup>28</sup> There may be no need for the CMA's assessment of competitive effects to be based on a highly specific description of any particular market definition (including, for example, descriptions of the precise boundaries of the relevant markets and bright-line determinations of whether particular products or services fall within the relevant market).<sup>29</sup>
25. The relevant market is identified primarily by reference to demand-side substitution.<sup>30</sup> However, there are circumstances where the CMA may aggregate narrow relevant markets into one broader market when firms routinely switch their production assets, or the same firms compete to supply different products and the conditions of competition between the firms are the same for each product.<sup>31</sup>

## Product market

### *Parties' submissions*

26. The Parties submitted that the most appropriate product market definition is no narrower than the supply of maintenance services to the offshore O&G sector. The Parties submitted that this is consistent with the approach adopted by the CMA in John Wood/Amec.<sup>32</sup>
  - (a) The Parties submitted that the majority of maintenance services suppliers are able to supply the full range of FM services required by customers, either

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<sup>26</sup> CMA129, paragraph 9.1.

<sup>27</sup> CMA129, paragraph 9.2.

<sup>28</sup> CMA129, paragraph 9.2.

<sup>29</sup> CMA129, paragraph 9.5.

<sup>30</sup> CMA129, paragraphs 9.7 and 9.13.

<sup>31</sup> CMA129, paragraphs 9.8 and 9.14.

<sup>32</sup> FMN, paragraph 12.5. [Anticipated acquisition by John Wood Group plc of Amec Foster Wheeler plc](#), [ME/6687/17] (John Wood/Amec). The CMA notes that the Parties' product market definition differs from the CMA's product market definition in John Wood/Amec. The Parties submitted that the relevant product market definition is maintenance services to the offshore O&G sector while the CMA defined the relevant product market definition in John Wood/Amec to be O&M services to the offshore O&G sector.



individually or through joint bids and subcontracting,<sup>33</sup> and that customers are increasingly seeking to procure a full maintenance service offering from a single provider or consortium.<sup>34</sup>

- (b) The Parties submitted that this trend is reflected in a number of Stork's recent contracts which involve the provision of other maintenance services in addition to FM services.<sup>35</sup>
- (c) The Parties also submitted that in 2021, Altrad lost the contract it held [X] for [X] general maintenance services, and that Altrad had been at a competitive disadvantage because (i) Altrad lacks the service capabilities to supply the general maintenance component of the contract itself and (ii) if it were to enter into a partnership with a Tier 1 supplier (by which the Parties referred to suppliers that typically focus on mechanical, inspection and engineering services),<sup>36</sup> that supplier would also have to partner with a provider of asset integrity services. Further, the Parties submitted that since January 2022, Altrad had been prevented from bidding for at least [X] contracts due to not having the requisite capabilities, in particular asset integrity services.<sup>37</sup>

27. Separately, the Parties submitted that if the CMA were to define a narrower product market of FM services to offshore O&G customers, this should include FM services to the midstream (ie onshore reception terminals) as well as offshore (ie fixed and floating production platforms and drilling rigs). The Parties submitted that these services are typically tendered for together, and there is therefore no reason to depart from how offshore FM services were defined in John Wood/Amec, which included the midstream.<sup>38</sup>

### *CMA's assessment*

28. The CMA will consider each merger with due regard to the particular circumstances of the case.<sup>39</sup> Product market definition starts with the relevant

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<sup>33</sup> FMN, paragraph 12.8(ii).

<sup>34</sup> FMN, paragraph 12.7.

<sup>35</sup> FMN, paragraph 12.7.

<sup>36</sup> FMN, paragraphs 5 and 13.1.

<sup>37</sup> Parties' response to Response to CMA's questions of 27 November, 29 November,], paragraphs 3.1 and 3.2. The Parties also submitted that although Tier 1 O&M suppliers may no longer focus on providing FM services, they could easily re-enter the market if there is an opportunity. (Parties' response to the Issues Letter, 28 November 2024, paragraph 3.8). However, the example they provided was of Wood being in the process of obtaining accreditation to perform rope access for maintenance services. The CMA notes that it is not clear to what extent this would allow Wood to compete for FM services contracts which comprise a range of services beyond access solutions.

<sup>38</sup> Parties' response to the Issues Letter, 28 November 2024, footnote 24.

<sup>39</sup> [CMA129](#), paragraph 1.12 and footnote 13, citing *Ecolab Inc. v Competition and Markets Authority* [2020] CAT 12, paragraph 93: 'merger decisions of the CMA do not constitute precedents and it is axiomatic that each case turns on its own facts and that the characteristics of one market may be very different from those of another. Consistency is achieved by the CMA applying its statutory guidance...'.'

products of the merging parties. As a result, there is no one market definition that can be expected to apply across all cases in a similar area.<sup>40</sup>

29. As Altrad and Stork primarily overlap in the supply of FM services to the offshore O&G sector, the supply of FM services has been the CMA's starting point.<sup>41</sup> The CMA has considered whether this should be widened to include (i) services provided to the midstream and (ii) other maintenance services.

### *Midstream FM services*

30. As noted at paragraph 19(b) above, the offshore O&G sector refers to customers operating offshore O&G extraction facilities, such as fixed and floating production platforms and drilling rigs. The onshore (or downstream) O&G sector refers to customers refining, processing and purifying of crude oil and natural gas, and the transformation of it into other refined or chemical products.<sup>42</sup> Onshore reception terminals (the so-called 'midstream') are where the O&G first comes to shore.<sup>43</sup>
31. Although suppliers of FM services to the offshore O&G sector also tend to supply FM services to the midstream (**midstream FM services**), they provided mixed evidence in relation to whether these services should be included as part of offshore or onshore services.<sup>44</sup>
- (a) The Parties and one competitor told the CMA that midstream FM services are typically tendered for together with offshore services. However, in one example provided by the Parties, the customer suggested the contract the Parties had classified as an offshore FM service contract was in fact an onshore contract.
- (b) In contrast, other competitors were of the view that midstream FM services are generally tendered for together with onshore FM services (rather than offshore FM services), although one noted there have been exceptions in which customers have tendered for midstream FM services as part of an offshore FM services contract. In addition, one competitor explained that its onshore (and therefore midstream) FM business uses a different labour force to its offshore business, with onshore employees working to different labour

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<sup>40</sup> [CMA129](#), paragraph 9.6 and footnote 154.

<sup>41</sup> FM services comprise a number of different services such as access solutions, surface preparation, and insulation. The CMA does not consider that the available evidence supports adopting narrower markets for each of the relevant services which comprise FM services. These services are often tendered for together by customers and a number of FM suppliers, including the Parties, are able to provide a comprehensive FM services offering. In addition, several customers told the CMA they would not or had not considered a joint offering from multiple FM suppliers or indicated that there were risks in doing so. Note of a call with a third party, paragraph 5; Response to the CMA questionnaire from a third parties, question 6; and Response to the CMA questionnaire from a third party, October 2024, question 10.

<sup>42</sup> FMN, paragraph 11.21. Note that the upstream onshore refers to the extraction of O&G on the mainland, eg shale gas, see FMN, paragraph 11.5 and footnote 10.

<sup>43</sup> FMN, paragraph 11.7.

<sup>44</sup> Third-party submissions by email, November and December 2024 and Note of a call with a third party, September 2024, paragraph 7.

rates and employment terms, and that management teams are also often separate. Another competitor said that approaches differ by customer.

32. While the evidence suggests it may be appropriate to exclude midstream FM services, the CMA has left open the question of whether the market for offshore FM services should also include midstream FM services, given that the Merger does not raise competition concerns on either basis.<sup>45</sup> For the purposes of this decision, the CMA has presented its analysis excluding midstream FM services where possible. However, the CMA has also considered the impact of including midstream FM services where relevant.

#### *Other maintenance services*

33. The CMA also considered whether it should widen the product market to include other maintenance services.
34. In considering whether FM services are procured within a wider package of maintenance services, the CMA found that, although approaches vary by customer, most customers procure FM services on a standalone basis. Specifically:
- (a) The majority of customers contacted by the CMA said they procure FM services on a standalone basis, rather than as part of a broader package of maintenance services.<sup>46</sup> Of these customers, one noted that it previously procured FM services as part of a broader maintenance services package but changed its approach and now procures FM services on a standalone basis. This customer also submitted that it is critical to have a different supplier of FM services and other services such as asset integrity or quality services, in order to avoid issues arising from the same supplier being responsible for the maintenance and inspection of the same asset.<sup>47</sup>
  - (b) Some customers procure FM services together with other maintenance services. The other services that FM services are procured with depend on the customer and may include asset integrity and deck crew services.<sup>48</sup> In addition, one customer told the CMA it sometimes procures FM services on a

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<sup>45</sup> See, for example, paragraph 64 which considers the impact of including midstream revenues on shares of supply. The Parties also submitted, in relation to entry and expansion, that companies active onshore would also be able to enter the supply of offshore FM services. FMN, paragraphs 22.8-22.9. Given that the evidence suggests it may not be appropriate to widen the market to include the midstream (ie onshore reception terminals), it follows that the market should also not be widened to include services provided onshore (ie on the mainland). Separately, the CMA also considers that including midstream FM services as part of onshore services would not make a difference to the CMA's findings in relation to onshore services given the availability of alternative suppliers, as explained in paragraph 32 above.

<sup>46</sup> Customers contacted by the CMA include O&G companies and operators that focus on decommissioning projects. The CMA contacted both customers of the Parties and customers of the Parties' competitors. Response to the CMA questionnaire from a number of third parties, October 2024, question 3.

<sup>47</sup> Note of a call with a third party, September 2024, paragraph 28.

<sup>48</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 3.

standalone basis and sometimes within a wider O&M contract.<sup>49</sup> There are also references in Altrad's internal documents to suggest that some customers may increasingly purchase FM services with other maintenance services (such as asset integrity services).<sup>50</sup>

35. In terms of supply-side substitution by suppliers that provide other maintenance services, the CMA considers there would be barriers to providers of other maintenance services switching to provide FM services.
- (a) The majority of competitors indicated that new entrants would face significant barriers to entry, including: equipment, personnel and training costs; and regulatory and legal hurdles.<sup>51</sup> The CMA notes that one of these responses was provided by a current supplier of other maintenance services,<sup>52</sup> while another specifically referred to these barriers applying to suppliers of other maintenance services.<sup>53</sup>
- (b) One competitor submitted that FM services may on occasion be included as part of a tender integrating multiple services, in which case a supplier of other maintenance services bidding for the contract would typically rely on a partner or subcontractor to provide the FM services component.<sup>54</sup>
36. The CMA therefore considers that the appropriate product market in which to assess the Merger should not include other maintenance services. The CMA considers that any disadvantage Altrad faces as a result of not offering a wider set of maintenance services will be reflected in the evidence discussed further below (at paragraph 45 onwards) in the competitive assessment.

## Geographic market

### *Parties' submissions*

37. The Parties submitted that the narrowest plausible geographic market is the UKCS.<sup>55</sup>
38. The Parties also submitted that the relevant geographic market could be wider than the UKCS, on the basis that there are no material regulatory impediments and no insurmountable barriers to entry for suppliers active in the Norwegian North

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<sup>49</sup> Response to the CMA questionnaire from a third party, October 2024, question 3.

<sup>50</sup> See, for example, Altrad Internal Document, Annex 35 FMN, June 2023, pages 20 and 35.

<sup>51</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 10.

<sup>52</sup> Response to the CMA questionnaire from a third party, October 2024, question 10.

<sup>53</sup> Response to the CMA questionnaire from a third party, October 2024, question 10. Further, for example, see Altrad Internal Document, Annex 35 FMN, June 2023, pages 21 and 25, which describes the shortage of suitable personnel, high levels of churn and lack of specific skills sets.

<sup>54</sup> Response to the CMA questionnaire from a third party, October 2024, question 3.

<sup>55</sup> FMN, paragraph 12.15.

Sea.<sup>56</sup> The Parties submitted that Brand is an example of entry into the UKCS market by an overseas supplier, which had used its credibility and experience from its operations in other European markets to enter the UKCS.<sup>57</sup>

### *CMA's assessment*

39. The Parties overlap in the supply of FM services to the UKCS. The CMA has therefore considered whether the relevant geographic market is the UKCS, or if it is wider than the UKCS.

40. Evidence the CMA has collected indicates that there may be significant barriers to entry into the UKCS by suppliers of FM services active in other geographies, including the Norwegian North Sea. Difficulties moving labour from overseas (including from Norway to the UK) and a lack of centralised procurement by customers (such that a supplier's track record in one geography may not be recognised by customers in another geography) were identified as barriers by a competitor.<sup>58</sup>

41. However, one competitor told the CMA that barriers are relatively low, given that equipment can be rented, and labour is generally available to hire.<sup>59</sup> In addition, the CMA understands that although Brand entered the UK in 2018 through acquiring a UK supplier, that supplier was a specialist coatings maintenance provider rather than a supplier of the broad range of FM services Brand currently supplies.<sup>60</sup>

42. As noted at paragraph 23 above, market definition involves identifying the most significant competitive alternatives available to customers. Customers and other third parties identified FM suppliers active in the UKCS as alternatives to the Parties; foreign suppliers were not considered by third parties.<sup>61</sup> This is consistent with the Parties' internal documents, which typically focus on suppliers that are currently active in the UKCS (ie they don't consider the threat of new entry from suppliers active in other geographies).<sup>62</sup> Further, one customer noted that a local presence is important, while another commented that, for efficiency reasons, contracts are organised on a regional basis to enable one supplier to provide services out of its Aberdeen base.<sup>63</sup>

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<sup>56</sup> FMN, paragraph 12.16.

<sup>57</sup> FMN, paragraph 12.16.

<sup>58</sup> Note of a call with a third party, September 2024, paragraph 17.

<sup>59</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>60</sup> See [BrandSafway announces acquisition of Venko Groep BV - BrandSafway Media](#).

<sup>61</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>62</sup> See paragraph 81 below.

<sup>63</sup> Note of a call with a third party, September 2024, paragraph 18. Note of a call with a third party, September 2024, paragraph 17.

43. The CMA therefore considers that the relevant geographic market is the UKCS, and the market should not be defined more widely.

### **Conclusion on market definition**

44. The CMA has therefore assessed the impact of the Merger on the supply of FM services to the offshore O&G sector in the UKCS. The CMA has left open the question of whether the market for offshore FM services in the UKCS should also include midstream FM services.

### **Horizontal unilateral effects in the supply of FM services to customers in the offshore O&G sector in the UKCS**

45. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.
46. In its investigation of this Merger, the CMA has considered whether the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the supply of FM services to customers in the offshore O&G sector in the UKCS.
47. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>64</sup> Horizontal unilateral effects are more likely when the parties to a merger are close competitors.<sup>65</sup>
48. To assess closeness of competition between the Parties and the competitive constraints from alternative suppliers, the CMA has assessed:
- (a) shares of supply;
  - (b) bidding data;
  - (c) internal documents; and
  - (d) third-party views.
49. The CMA has first summarised the Parties' submissions and then discussed each of the sources of evidence in turn below.

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<sup>64</sup> [CMA129](#), paragraph 4.1.

<sup>65</sup> [CMA129](#), paragraph 4.8.

## Parties' submissions

50. The Parties submitted that they are not each other's closest competitors, noting that Altrad is a specialist FM services provider, whereas Stork has an integrated maintenance services offering that includes FM services as well as asset integrity and quality inspection services.<sup>66</sup> The Parties therefore consider Stork's closest competitors to be other providers of integrated maintenance services, including Bilfinger and KAEFER, rather than Altrad, which provides a narrower set of services focused on FM services.<sup>67</sup> The Parties further submitted that Altrad will be a weaker constraint on Stork (and other suppliers) going forward as a result of its narrower service offering,<sup>68</sup> given the trend for customers to procure FM services as part of a wider bundle of maintenance services (see paragraph 26(b) above).
51. The Parties submitted that they face a number of competitors for FM services, all of which will continue to exert a competitive constraint post-Merger.<sup>69</sup> These include:
- (a) established providers of FM services such as Bilfinger, Brand/PBS (**Brand**),<sup>70</sup> KAEFER, and Denholm;<sup>71</sup>
  - (b) specialist service providers offering specific services within FM services such as Veolia, Aquaterra, eGroup, and Augean;<sup>72</sup> and
  - (c) providers of other maintenance services such as Global E&C/Nexos, Lloyds Register, Petrofac, and Wood Group.<sup>73</sup> The Parties submitted that some of these suppliers can supply FM services themselves, while others can do so through jointing bidding or subcontracting.<sup>74</sup>
52. The Parties submitted that customers typically obtain a minimum of three bids from suppliers when procuring FM services,<sup>75</sup> and that a range of credible suppliers will continue to participate in tenders for FM services.<sup>76</sup> The Parties

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<sup>66</sup> FMN, paragraph 14.37.

<sup>67</sup> FMN, paragraph 14.37.

<sup>68</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 2.10.

<sup>69</sup> FMN, paragraph 14.45.

<sup>70</sup> PBS is an Aberdeen-based consortium comprised of Ponticelli, Brand and Semco. The CMA understands that Brand provides FM services both on behalf of the PBS consortium (with Ponticelli and Semco focused on the provision of broader operations, maintenance, construction and engineering services) and as a standalone supplier. References to Brand in this decision should be interpreted as including the supply of FM services by Brand on a standalone basis and as part of PBS.

<sup>71</sup> FMN, paragraphs 14.43(i)–14.43(iv).

<sup>72</sup> FMN, paragraphs 14.44(i)–14.44(iv).

<sup>73</sup> FMN, paragraphs 13.2 and 14.42.

<sup>74</sup> FMN, paragraph 14.42.

<sup>75</sup> FMN, paragraph 14.48.

<sup>76</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 2.7.

submitted that this includes, but is not limited to, at least three very strong competitors in Bilfinger, Brand, and KAEFER.<sup>77</sup>

53. The Parties also submitted that customers of FM services are large, multi-national O&G companies and Tier 1 operators (ie who subcontract FM services) which use expertly designed tender processes to procure these services.<sup>78</sup> The Parties submitted that the structure of contracts for FM services are typically cost-reimbursable (ie the supplier is reimbursed the costs it incurs, plus an additional performance-related fee), which provides customers with oversight of suppliers' cost structures and margins.<sup>79</sup> The Parties submitted that margins on FM services are low, which is reflective of the sophisticated nature of customers of FM services and the degree of competition between suppliers for FM services contracts.<sup>80</sup>

## Shares of supply

### *Parties' submissions*

54. The Parties submitted shares of supply for FM services to customers in the offshore O&G sector in the UKCS (including the midstream) on a value basis. These estimates were produced by identifying the Parties' main competitors and estimating revenues based on Altrad's market knowledge.<sup>81</sup> The Parties submitted that their combined share was [30-40]% in 2022 and [30-40]% in 2023.<sup>82</sup> The Parties further noted that their combined share was likely overstated because their estimates did not include a number of smaller specialist competitors that provide certain FM services on an asset alongside the key FM providers.<sup>83</sup>

### *CMA's assessment*

55. Shares of supply can be useful evidence when assessing closeness of competition, particularly when there is persuasive evidence as to which potential substitutes should be included or excluded or when the degree of differentiation between firms is more limited. In such circumstances, a firm with a higher share of supply is more likely to be a close competitor to its rivals.<sup>84</sup>
56. In bidding markets (such as for FM services), shares of supply reflect the outcome of past contract tenders and may not therefore accurately reflect current conditions of competition. Moreover, one supplier can exert a constraint on another supplier

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<sup>77</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 2.7.

<sup>78</sup> FMN, paragraph 14.47.

<sup>79</sup> FMN, paragraph 14.49.

<sup>80</sup> FMN, paragraph 14.49.

<sup>81</sup> FMN, Table 11 and footnote 28.

<sup>82</sup> FMN, paragraph 13.5.

<sup>83</sup> FMN, paragraph 13.4.

<sup>84</sup> [CMA129](#), paragraph 4.14.



by bidding for the same contract opportunity, even if it does not win the contract. Shares of supply may also be volatile, as large contract values can result in significant shifts in shares of supply on the basis of only a small number of contracts. For example, the Parties submitted that it has been possible for Brand to establish a position in the market by winning a small number of high-value contracts.<sup>85</sup> Evidence provided to the CMA by third parties also indicates that suppliers of FM services with smaller shares of supply, such as KAEFER, are considered suitable by customers (see paragraph 86(b) below).

57. For these reasons, the CMA considers that shares of supply may not be fully informative of closeness of competition and constraints from alternative suppliers in this case. The CMA has therefore interpreted shares of supply with caution and has considered these in the round alongside other evidence on the Parties' closeness of competition and the competitive constraint from alternative suppliers.
58. With these limitations in mind, the CMA has considered shares of supply over a three-year period between 2021 and 2023 and has also taken into account average shares over three years.
59. Table 1 below presents share of supply estimates calculated by the CMA using revenue data provided by the Parties and their competitors.<sup>86</sup> The revenue data used to estimate the share of supply estimates in Table 1 excludes revenue from the supply of FM services to the midstream.<sup>87</sup>

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<sup>85</sup> FMN, paragraph 14.18.

<sup>86</sup> This is consistent with data provided by the Parties, which set out shares of supply on a revenue basis only.

<sup>87</sup> The revenue estimates used to calculate shares of supply include revenue from the provision of ancillary services such as general campaign work, turnarounds, projects, and upgrade work. Evidence provided to the CMA suggests these services are typically provided as part of an offshore FM contract with a customer (Submissions to the CMA from number of third parties, December 2024).

**Table 1 CMA estimates of share of supply for FM services to the offshore O&G sector in the UKCS (excluding midstream revenues), 2021-2023**

	Share of supply (2021)	Share of supply (2022)	Share of supply (2023)	Average share of supply (2021-2023)
Altrad	[10-20]%	[10-20]%	[10-20]%	[10-20]%
Stork	[30-40]%	[20-30]%	[30-40]%	[30-40]%
<b>Combined</b>	<b>[40-50]%</b>	<b>[30-40]%</b>	<b>[40-50]%</b>	<b>[40-50]%</b>
Bilfinger	[30-40]%	[40-50]%	[30-40]%	[30-40]%
Brand	[10-20]%	[10-20]%	[5-10]%	[10-20]%
KAEFER	[5-10]%	[5-10]%	[5-10]%	[5-10]%
Denholm	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Augean	[0-5]%	[0-5]%	[0-5]%	[0-5]%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Dataset consolidated from Parties estimates and third-party estimates

Notes: The CMA has calculated share of supply estimates for Altrad in 2021 inclusive of both Altrad and Muehlhan revenue. The CMA considers that this most accurately captures the forward-looking strength of Altrad as an FM services supplier. Totals may not sum to 100% due to rounding. For the Parties, the CMA has excluded midstream revenues based on estimates provided by the Parties for the proportion of total FM services revenue accounted for by the midstream. For competitors, the CMA has excluded midstream revenues based on estimates for these revenues from competitors.

60. Table 1 indicates that Altrad and Stork are two of the four largest suppliers of FM services to the offshore O&G sector in the UKCS, with average shares of supply of [10-20]% and [30-40]% respectively over the three-year period from 2021 to 2023. The Parties had a combined share over this period of [40-50].
61. In terms of competitors, Bilfinger was the largest supplier over the three-year period from 2021 to 2023 with an average share of supply of [30-40]%. Other suppliers with shares of supply above 5% are Brand, with an average share of supply of [10-20]%, and KAEFER, with an average share of supply of [5-10]%.
62. There are other competitors with a smaller presence such as Denholm and Augean, both of which are specialist providers of industrial cleaning services (ie a specific service within FM services).<sup>88</sup>
63. Several suppliers of FM services identified by the Parties or customers are not captured in the share of supply estimates in Table 1: Veolia, Aquaterra, eGroup, Petrofac, and Global E&C/Nexos. The CMA considers that although these suppliers are unlikely to have a large share of supply, either individually or in aggregate, some of these suppliers do currently supply FM services in the UKCS.
- (a) Petrofac<sup>89</sup> and Global E&C/Nexos<sup>90</sup> were identified as suitable suppliers of FM services by a small number of customers contracted by the CMA.<sup>91</sup> The CMA understands that Petrofac currently self-supplies FM services to its

<sup>88</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 1.

<sup>89</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>90</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>91</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 1.

offshore assets, and Global E&C/Nexos was identified as the current supplier of FM services to one customer contacted by the CMA.

- (b) Veolia, Aquaterra, and eGroup were listed as suppliers in the Parties' share of supply submission and were estimated by the Parties to have a combined share of supply of 10%. However, customers contacted by the CMA did not identify them as current or suitable suppliers of FM services.

64. The CMA also considered shares of supply including the supply of FM services to the midstream. However, the inclusion of midstream revenues in the share of supply analysis does not materially alter the overall picture:

- (a) The inclusion of midstream revenues results in a small increase in Altrad's and the Parties' combined shares of supply (and a small decrease in Stork's shares of supply), although estimates of Altrad's and the Parties' combined average shares remain within the ranges presented in Table 1.
- (b) It leads to a small decrease in Brand's share of supply. Although the CMA does not have access to midstream revenues from KAEFER, it considers that KAEFER's share of supply could increase when taking into account these revenues.<sup>92</sup> Estimates for the remaining competitors reported in Table 1 remain broadly unchanged.

## **Bidding data**

### *Parties' submissions*

65. The Parties submitted analysis of their bidding data for tender opportunities to supply FM services to customers in the offshore O&G sector in the UKCS (including midstream FM services). The bidding data relied upon by the Parties for this analysis covered the period 2018-2023 for Altrad and 2019-2024 for Stork.

66. The Parties submitted that the bidding data shows they face several competitors when bidding for contract opportunities, and that they lose contract opportunities to a range of competitors.<sup>93</sup>

67. Altrad and Stork do not always have full visibility over which suppliers bid for, or win, a given contract (including both the other Merger Party and competitors). For the purposes of producing bidding data, the Parties have therefore relied on their market knowledge at times.<sup>94</sup> As a result, in some cases, suppliers listed in the

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<sup>92</sup> The CMA has not been provided with revenues for KAEFER's supply of FM services to the midstream but understands KAEFER to be active in the supply of FM services to the midstream (Submission to the CMA from a third party, December 2024). For completeness, the CMA notes that if it were to include midstream revenues for KAEFER, this would increase the total size of the market, resulting in all other suppliers' shares decreasing slightly.

<sup>93</sup> FMN, paragraphs 15.10 and 15.17.

<sup>94</sup> FMN, paragraphs 15.4 and 15.7.

Parties' bidding data as having competed for a contract opportunity may not actually have bid for the opportunity in practice. The Parties carried out some cross-checks of their respective bidding data to verify instances where the other Merger Party was identified as a bidder for, or winner of, a contract opportunity. These cross-checks identified a number of instances in which the Parties' bidding data overstated the share of opportunities for which the Parties competed against one another.<sup>95</sup>

### *CMA's assessment*

68. The CMA carried out additional cross-checks of the Parties' bidding data in relation to the accuracy of the competitors identified as bidders for, and winners of, contract opportunities. The CMA's cross-checks, using data provided by competitors and customers, identified a number of instances in which the Parties' bidding data overstated the share of opportunities for which Bilfinger, Brand, or KAEFER were a bidder.<sup>96</sup>
69. These cross-checks, taken together with the Parties' cross-checks, indicate that the Parties' bidding data does not perfectly capture the suppliers bidding for, and winning, contracts. In particular, both Altrad and Stork's bidding data appears to overstate the presence of both the other Merger Party and competitors. However, there is no evidence to suggest that the data is biased towards the inclusion of competitors as bidders over the other Party (or vice versa). The CMA has used the Parties' unmatched bidding data for the purposes of this comparison to ensure a like-for-like comparison. While recognising that the inaccuracies in the data limit the value of this evidence, the CMA has considered the bidding data, in particular, the relative frequency with which the Parties compete against one another and other suppliers, in the round with other evidence when assessing closeness of competition between the Parties, as well as the competitive constraint imposed on the Parties by other suppliers.
70. Altrad's bidding data identified Stork as competing for the majority of contract opportunities bid for by Altrad over the period covered by the data. The same is true in respect of Stork's identification of how frequently it competed with Altrad.

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<sup>95</sup> The cross-checks carried out by the Parties used contract-level information on customer name, close date of the contract and scope of work to identify if the other Merger Party bid for the contract opportunity, using their business knowledge. The Parties' matching exercises found that Altrad and Stork incorrectly identified the other Merger Party as a bidder for a number of opportunities. For example, Altrad manually reviewed [x] contract opportunities that Stork won and for which Altrad was recorded as a competitor in Stork's bidding data and found that Altrad only bid for [x] of these [x] opportunities (Parties' response to CMA's questions of 29 November, paragraph 2.3). The CMA notes that the Parties' matching exercises may not always be accurate given the limited information available to inform this exercise and the limitations of the bidding data itself. For example, the Parties do not record opportunities in the same way in their respective bidding data: one opportunity in Altrad's data can correspond to two opportunities in Stork's data, and vice versa (Parties' response to CMA's questions of 29 November footnote 7).

<sup>96</sup> The CMA notes that the bidding data provided to the CMA by competitors did not include contract opportunities for the midstream and, in some cases, was not available for the full period covered by the Parties' bidding data.

Altrad identified Stork to be the winner of very few bids lost by Altrad, while Stork identified Altrad to be the winner of a majority of the bids lost by Stork.

- (a) Altrad bid for [X] FM services contracts over the period 2018-2023 and Stork was identified as having bid for almost all of these opportunities by contract value.<sup>97</sup> Stork was also identified as having won a very small proportion of Altrad's lost bids over this period.<sup>98</sup>
- (b) Stork bid for [X] FM services contracts over the period 2019-2024. This includes [X] contracts for which Stork was the successful bidder and [X] contracts for which it was an unsuccessful bidder. Of the contracts bid for and won by Stork, Altrad was identified as having bid for around a quarter of these opportunities.<sup>99</sup> Altrad was also identified as having won over half of Stork's lost bids by value over this period.<sup>100</sup>

71. The Parties' bidding data also identified a range of competitors as competing for, and winning, contract opportunities for FM services (including midstream FM services) bid for by the Parties. This includes Bilfinger, Brand, KAEFER, and a tail of other suppliers. The data suggests that:

- (a) Bilfinger was identified as having competed for almost all of the opportunities bid for by the Parties over the relevant periods covered by the data and was identified as the supplier that both Altrad and Stork competed against most frequently for contract opportunities. Bilfinger was identified as accounting for the majority of Altrad's lost bids and a significant share of Stork's lost bids over the relevant periods.
- (b) Brand was identified as having competed for almost two thirds of the opportunities bid for by Altrad over the period 2018-2023. Brand also won a

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<sup>97</sup> FMN, Table 13. Unless otherwise specified, the CMA's assessment of the Parties' bidding data has focused on the value of contracts bid for by the Parties and competitors, rather than the number of contracts.

<sup>98</sup> FMN, Table 15.

<sup>99</sup> FMN, Table 22.

<sup>100</sup> FMN, Table 23. The CMA has made two adjustments to the data as reported in Table 23 of the FMN. First, the CMA has counted Altrad as the winner of 3 contract opportunities for which the winner is reported as 'Unknown' in Table 23 of the FMN. Altrad is reported as the winner of these 3 contract opportunities in Stork's underlying bidding data. The CMA has taken this approach as the focus of its assessment is the Parties' perception of the suppliers against which they compete (to ensure a like-for-like comparison with perceived bids from other suppliers). Second, the CMA has counted Altrad as the winner of contract opportunities for which Muehlhan is reported the winner in Table 23 of the FMN. The Parties' analysis listed Muehlhan as a competitor to Stork for contract opportunities over the period 2019-2024. However, Muehlhan was acquired by Altrad in December 2021. As a result of these adjustments, estimates for the share of contract opportunities lost by Stork to Altrad differ from the estimates reported by the Parties in Table 23 of the FMN.

large contract with Total Energies in 2020 that was identified as accounting for over [X] of Altrad's lost bids over the period.<sup>101</sup>

- (c) KAEFER was identified as having competed for around three quarters of the opportunities bid for by Altrad over the period 2018-2023.<sup>102</sup> KAEFER was also identified as the supplier that Stork competed against second most frequently (after Bilfinger) for opportunities it won over the period 2019-2024.
- (d) A number of other suppliers including Veolia, Augean, and Denholm (and 21 in total) were identified as having competed for opportunities bid for by Altrad and Stork over the periods 2018-2023 and 2019-2024 respectively. However, these suppliers appear to be small in comparison to the Parties, Bilfinger, Brand, and KAEFER, as the Parties identified these suppliers as having bid for comparatively fewer opportunities against the Parties. No other suppliers (besides Bilfinger, Brand, and KAEFER) were identified as having bid for, or won, contract opportunities that accounted for more than of the contract revenue bid for by Altrad or Stork over these periods.

72. The overall results of the bidding data are also consistent with the other evidence available to the CMA and considered within this assessment.

## Switching data

### *Parties' submissions*

73. The Parties submitted that customers have the ability to switch away from their incumbent supplier of FM services, which is facilitated by the transfer of existing workers and scaffolding assets between the incumbent supplier and the incoming supplier.<sup>103</sup> The Parties submitted that customer switching during the life of a contract had increased over the past five years, based on Altrad's knowledge of the market and its own experience.<sup>104</sup> The Parties identified several instances of customer switching for maintenance contracts in the UKCS in recent years, including: CNR Limited switching to Torus BGP (the partnership between Bilfinger

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<sup>101</sup> FMN, Table 15. Estimates for the share of contract opportunities lost by Altrad to Brand differ from the estimates reported by the Parties in Table 15 of the FMN. This is because the CMA has excluded contract opportunities lost by Altrad to Muehlhan from Table 15 of the FMN, for the reasons set out in the footnote above. The exclusion of contract opportunities lost by Altrad to Muehlhan leads to a change in the share of contract losses accounted for by other suppliers. The CMA understands that Brand won its large contract with Total Energies via the PBS consortium, of which Brand is a member (see [TotalEnergies E&P UK | PBS by Ponticelli Offshore Maintenance Services](#)). The CMA also understands that Total Energies recently extended its contract with Brand (see [PBS Announce Contract Extension with Total Energies](#)).

<sup>102</sup> The Parties' bidding data includes a number of instances in which the Parties' identified Wood as a competitor for FM services contact opportunities. The CMA has reclassified these as instances in which the Parties' competed against KAEFER as (i) KAEFER acquired Wood's Industrial Services business (through which Wood provided FM services) in February 2020 and (ii) Wood has relied on KAEFER since the acquisition by KAEFER (Response to the CMA questionnaire from a third party, October 2024, question 8).

<sup>103</sup> FMN, paragraph 14.20.

<sup>104</sup> FMN, paragraphs 14.20–14.21.

and Global E&C/Nexos) in 2021 from Petrofac, Aker Solutions and CAN Engineering in 2021; Total Energies switching to the PBS Consortium in 2022 from seven different suppliers (including Wood and Petrofac); and Harbour Energy switching from Bilfinger to Stork in 2023.<sup>105</sup>

74. The Parties also submitted that instances of customers switching between Altrad and Stork are limited, with customers of the Parties instead having switched to Bilfinger, Brand, and KAEFER, among other suppliers.<sup>106</sup>
75. The Parties submitted that switching analysis is informative of closeness of competition because the incumbent provider is likely to have a good relationship with the customer and the successful displacement of an incumbent indicates that the new provider is a close competitor to the incumbent.<sup>107</sup>

#### *CMA's assessment*

76. The concern under a horizontal unilateral effects theory of harm is the elimination of a competitive constraint by removing an alternative supplier that customers *could* switch to.<sup>108</sup> It is not necessary for customers to switch between suppliers for those suppliers to exert a constraint on one another. Therefore, while an analysis of actual switches that have taken place can provide evidence on closeness of competition and competitive constraints in the market, the analysis should be considered in the round alongside other sources of evidence.
77. Evidence provided to the CMA by third parties indicates that customers can and do switch away from their incumbent supplier of FM services. The CMA asked customers whether they had switched FM services supplier in the past five years, around half responded that they had.<sup>109</sup>
78. Evidence from customers shows that customers switch less frequently between Altrad and Stork for offshore FM services, compared to switching between using one of the Parties and using a competitor. Of customers that reported having switched, almost all switched between one of the Parties' and a competitor (including switching from the Parties to Bilfinger, and Brand).<sup>110</sup> Only one indicated recently having switched between the Parties when procuring FM services.<sup>111</sup>
79. The Parties' analysis of bidding data also suggests there is limited switching between Altrad and Stork. Altrad's bidding data indicates that it did not lose an

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<sup>105</sup> FMN, paragraph 14.21.

<sup>106</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 5.9.

<sup>107</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 5.8.

<sup>108</sup> [CMA129](#), paragraph 4.3, emphasis added.

<sup>109</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>110</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>111</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

existing FM services contract to Stork between 2018-2023.<sup>112</sup> Over this period, Altrad identified losing existing contracts to Bilfinger and Veolia.<sup>113</sup> Similarly, Stork's bidding data indicates that it did not lose an existing FM services contract to Altrad between 2019-2024.<sup>114</sup> Over this period, Stork identified losing existing contracts to Bilfinger, KAEFER, and Brand.<sup>115</sup>

## Internal documents

### *Parties' submissions*

80. The Parties submitted that internal documents indicate that Altrad and Stork overlap in the provision of FM services, but do not indicate that the Parties are particularly close or important competitors.<sup>116</sup>
81. The Parties' submitted that the internal documents consistently refer to Bilfinger, Brand and KAEFER as competitors in line with their view that there will be, at a minimum, three strong competitors post-Merger.<sup>117</sup> To further support this, the Parties submitted three examples of [§<], which refer to competition from Bilfinger, Brand and KAEFER (among others, including Stork).<sup>118</sup>

### *CMA's assessment*

82. The CMA reviewed the Parties' internal documents to assess the Parties' view of their closest competitors and to understand the likely constraints on the Merged Entity post-Merger.<sup>119</sup>
83. The CMA considers that the internal documents of both Parties indicate that they compete with each other and alternative suppliers, in particular Bilfinger, Brand and KAEFER. For example:
  - (a) An internal document (February 2023) from Altrad presenting the Altrad business and competitive landscape, in the UK, Ireland and the Nordics, describes the supply of FM services in the North Sea as fairly consolidated with a few large competing players, namely Stork (UK), Bilfinger, Brand and KAEFER.<sup>120</sup>

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<sup>112</sup> FMN, paragraph 15.18.

<sup>113</sup> FMN, paragraph 15.18.

<sup>114</sup> FMN, Table 24.

<sup>115</sup> FMN, Table 24.

<sup>116</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 7.1.

<sup>117</sup> Parties' response to the Issues Letter, 28 November 2024, paragraph 7.2.

<sup>118</sup> Altrad Internal Documents, Response to CMA's questions of 27 November, 29 November, Annexes 1-3.

<sup>119</sup> The internal documents reviewed by the CMA did not specify whether they include or exclude the provision of midstream FM services.

<sup>120</sup> Altrad Internal Document, Annex 2 to Altrad's response to the CMA's section 109 notice, 29 October 2024, February 2023, page 5.



- (b) An internal document (June 2023) from Altrad, discussing its strategy in the UK, Ireland, Denmark and Norway, describes Bilfinger, Brand and Stork (but not KAEFER) as the leading suppliers of FM services and notes that Altrad [X]. When describing Altrad's direct competitors, the document references Bilfinger, Brand and KAEFER (but not Stork). When analysing [X] of suppliers of FM services, Altrad, Stork, Bilfinger, Brand and KAEFER are considered. The document also reports commentary from Stork in which Stork describes Bilfinger as its main competitor.<sup>121</sup>
- (c) In the management presentation and the information memorandum from Stork prepared to facilitate the sale process (Autumn 2023), there are slides that discuss the competitive landscape for industrial and mechanical (maintenance) services, suggesting that [X] are the major competitors to Stork. These internal documents identify Altrad, Bilfinger, Brand and KAEFER as competitors active in [X], as well as Aquaterra, Denholm, eGroup and Sureclean as competitors active only in [X] services.<sup>122</sup>

### Third-party views

#### Customers

- 84. Customers were asked to identify the supplier(s) they would consider when procuring offshore FM services.<sup>123</sup> For each of these suppliers, customers were asked to indicate on a scale of 1 to 5 how suitable they considered the supplier to be for their requirements (where 1 indicated not very suitable and 5 indicated very suitable). In its assessment below, the CMA classified a supplier as suitable where it received a score of 4 or 5 from a customer.
- 85. The majority of Altrad's customers said they would consider Stork when procuring FM services,<sup>124</sup> all of which identified Stork as a suitable supplier. All of Stork's customers said they would consider Altrad when procuring FM services,<sup>125</sup> most of which considered Altrad to be a suitable supplier.<sup>126</sup>
- 86. Customers considered a number of alternative suppliers to be suitable for their requirements when procuring FM services, with almost half of customers identifying at least three suitable suppliers in addition to the Parties.<sup>127</sup> In total,

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<sup>121</sup> Altrad Internal Document, Annex 35 FMN, June 2023, pages 34, 35, 97, 115 and 290.

<sup>122</sup> Stork Internal Document, Annex 23 FMN, Autumn / Fall 2023, page 22; and Stork Internal Document, Annex 25 FMN, page 11.

<sup>123</sup> The question asked to customers did not specify whether this included or excluded FM services to the midstream.

<sup>124</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>125</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>126</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>127</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

customers identified six suppliers as suitable in addition to the Parties, including Bilfinger, Brand, and KAEFER.

- (a) Nearly all customers said they would consider Bilfinger,<sup>128</sup> of which the majority considered Bilfinger to be a suitable supplier.<sup>129</sup>
- (b) The majority of customers said they would consider KAEFER,<sup>130</sup> of which the majority considered KAEFER to be a suitable supplier.<sup>131</sup>
- (c) Around half of customers said they would consider Brand,<sup>132</sup> most of which considered Brand to be a suitable supplier.<sup>133</sup>
- (d) Petrofac, Global E&C/Nexos, and CAN were also identified as suitable suppliers by multiple customers. Several customers said they would consider Petrofac,<sup>134</sup> of which a few considered Petrofac to be a suitable supplier.<sup>135</sup> A few customers said they would consider CAN,<sup>136</sup> all of which considered CAN to be a suitable supplier. A few also said they would consider Global E&C/Nexos,<sup>137</sup> one of which considered Global E&C/Nexos to be a suitable supplier.<sup>138</sup>
- (e) Customers identified a large number of additional suppliers that would be considered when procuring FM services, but which received lower scores from customers with regards to suitability.<sup>139</sup>

87. Nearly all customers did not have concerns about the Merger.<sup>140</sup> Several customers also considered there to be a sufficient number of alternative suppliers currently available to choose from in the UKCS.<sup>141</sup>

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<sup>128</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>129</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>130</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5. The CMA notes that several customers identified Wood as a supplier that would be consider suitable for their requirements when procuring FM services. The CMA has reclassified customer references to Wood as references to KAEFER, as (i) KAEFER acquired Wood's Industrial Services business (through which Wood provided FM services) in February 2020 and (ii) Wood has relied on KAEFER since the acquisition by KAEFER.

<sup>131</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>132</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>133</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>134</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>135</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>136</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>137</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>138</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 5.

<sup>139</sup> This includes Aker Solutions, BGB Scaffolding, Callmac Scaffolding, DH Scaffolding Services, Enermech, Semco, and Stowen.

<sup>140</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>141</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 10; and Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

- (a) One such customer stated that ‘even post merger there are still several FM services for operators to choose from depending on the size and volume of work’.<sup>142</sup>
  - (b) Another stated that ‘the merger should not have a major impact on the competitiveness of the key maintenance scopes due to the current number of suppliers in the market’.<sup>143</sup>
  - (c) One customer stated that the Merger does not ‘shrink the market to a place where we are uncomfortable about alternatives / competition’.<sup>144</sup>
  - (d) When asked if they had considered sponsoring new entry or would consider doing so if they faced limited choice of suppliers, two customers stated that it wasn’t necessary as ‘there are enough companies...for our needs’ and ‘it is considered there is sufficient competition’.<sup>145</sup>
88. A few customers also noted the potential for the Merger to generate efficiencies, for example through the consolidation of services.<sup>146</sup> Other customers did not provide a reason as to why they did not have concerns about the merger.<sup>147</sup>
89. One customer noted the Merger would have a negative impact as it would limit the number of alternative suppliers to choose from,<sup>148</sup> while another considered that supplier choice is already limited at present.<sup>149</sup>
90. In considering the customer evidence, the CMA has taken account of the fact that the customers are highly sophisticated, and that most customers both told the CMA that they did not have concerns about the merger and identified alternative suppliers who they considered could be suitable.

### *Competitors*

91. Competitors were asked to identify each of the Parties’ five closest competitors for FM services.<sup>150</sup>
92. All competitors identified Stork and Bilfinger as either Altrad’s closest or second closest competitors. Most competitors identified Brand as a close competitor of

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<sup>142</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>143</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>144</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>145</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 10.

<sup>146</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>147</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 11.

<sup>148</sup> Response to the CMA questionnaire from a third party, October 2024, question 11.

<sup>149</sup> Response to the CMA questionnaire from a third party, October 2024, question 11.

<sup>150</sup> The question asked to competitors did not specify whether this included or excluded midstream FM services.

Altrad,<sup>151</sup> of which half identified Brand as Altrad's third closest competitor.<sup>152</sup> Fewer competitors identified KAEFER as a close competitor of Altrad,<sup>153</sup> but those that did identified KAEFER as Altrad's third closest competitor. Denholm<sup>154</sup> and Sureclean<sup>155</sup> were identified as close competitors of Altrad by a small number of respondents.

93. In terms of Stork's closest competitors, most identified Altrad as Stork's closest<sup>156</sup> or second closest<sup>157</sup> competitor.<sup>158</sup> All competitors also identified Bilfinger as either Stork's closest competitor<sup>159</sup> or second closest competitor.<sup>160</sup> Most competitors also identified Brand as a close competitor of Stork,<sup>161</sup> of which half identified Brand as Stork's fourth closest competitor,<sup>162</sup> but it was also identified as Stork's second,<sup>163</sup> and third closest competitor.<sup>164</sup> Fewer competitors identified KAEFER as a close competitor of Stork,<sup>165</sup> in which case it was either identified as Stork's third<sup>166</sup> or fourth<sup>167</sup> closest competitor. The same respondents that identified Denholm<sup>168</sup> and Sureclean<sup>169</sup> as close competitors of Altrad also identified them as close competitors of Stork.
94. Competitors were asked to comment on the importance of scale for a supplier's ability to compete for FM services in order to understand whether larger suppliers of FM services benefit from economies of scale, which in turn could limit opportunities for smaller suppliers to compete. The majority of competitors considered scale to be very important in this regard,<sup>170</sup> for example because it enables suppliers to spread fixed costs over a large number of contracts and become more price competitive as a result.<sup>171</sup>
95. Competitors also noted some barriers to smaller suppliers competing for large contracts. One noted that although Transfer of Undertakings Regulations 2006

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<sup>151</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>152</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>153</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>154</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>155</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>156</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>157</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>158</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>159</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>160</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>161</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>162</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>163</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>164</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>165</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>166</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>167</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>168</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 8.

<sup>169</sup> Response to the CMA questionnaire from a third party, October 2024, question 8.

<sup>170</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 7.

<sup>171</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 7.

(TUPE) facilitate employees transferring from the incumbent to a new supplier, workers may choose to remain with their current employer, in which case an incoming supplier would require a labour force of their own.<sup>172</sup> Another noted that in the case of scaffolding, smaller suppliers may lack the capital required to purchase scaffolding assets from the incumbent supplier.<sup>173</sup> In contrast, one competitor considered that barriers would be low, noting that all equipment required for the supply of FM services can be rented and labour is generally available for hire.<sup>174</sup>

## Conclusion on theory of harm

96. While the share of supply estimates set out above show that the Parties are two of the four largest suppliers of FM services in the UKCS, with a combined share of supply of around [30-50]%, the CMA considers that shares of supply may not be fully informative of closeness of competition and constraints from alternative suppliers in a market characterised by bidding processes, such as FM services.
97. Other available evidence, such as bidding data, internal documents, and third-party views show that although the Parties compete closely, Bilfinger, Brand, and KAEFER also compete closely with the Parties.
- (a) Bidding data indicates that Altrad and Stork frequently compete against one another for contract opportunities to supply FM services to the offshore O&G sector in the UKCS. However, data also indicates that Bilfinger was identified as having participated in almost all of the opportunities bid for by the Parties over the period and was the supplier that both Altrad and Stork competed against for opportunities most frequently. Altrad competes on a substantial proportion of contract opportunities with both Brand and KAEFER, while Stork competes on a substantial proportion of opportunities with KAEFER.
  - (b) Internal documents of both Parties indicate Altrad and Stork compete against one another, in addition to a number of other suppliers. Internal documents frequently refer to Bilfinger, Brand, and KAEFER as competitors.
  - (c) In line with the other evidence set out above, Bilfinger, Brand, and KAEFER were identified by customers as suitable suppliers of FM services and were also viewed by competitors as close competitors of the Parties.
  - (d) Other suppliers, such as Petrofac, Veolia, Denholm, and Aquaterra, were identified as competing less often against the Parties than Bilfinger, Brand, and KAEFER and account for a limited share of the Parties' opportunity

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<sup>172</sup> Note of a call with a third party, September 2024, paragraph 13.

<sup>173</sup> Note of a call with a third party, September 2024, paragraph 13.

<sup>174</sup> Response to the CMA questionnaire from a number of third parties, October 2024, question 10.

losses. Some customers viewed Petrofac and Global E&C/Nexos as suitable suppliers and some competitors viewed Denholm and Aquaterra as close competitors of the Parties. However, internal documents do not refer to these other suppliers as competitors in FM services.

98. As set out above, nearly all customers did not have concerns about the Merger, with a number of customers specifically highlighting that there are a sufficient number of alternatives available.
99. The CMA therefore considers that rival suppliers of FM services – in particular Bilfinger, Brand and KAEFER, but also a number of smaller suppliers – would together exert a sufficient competitive constraint on the Merged Entity.
100. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of FM services to customers in the offshore O&G sector in the UKCS.

## **ENTRY AND EXPANSION**

101. The CMA has considered barriers to entry and expansion as part of its market definition above. Because the Merger will not result in an SLC under the theory of harm considered, the CMA has not carried out a separate assessment of whether entry or expansion could function as a countervailing constraint against a potential SLC.

## DECISION

102. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
103. The Merger will therefore **not be referred** under section 33(1) of the Act.

**Sorcha O'Carroll**  
**Senior Director, Mergers**  
**19 December 2024**