



MEDIA RELEASE

16 September 2019

CCCS Consults on the Proposed Acquisition of Daewoo Shipbuilding & Marine Engineering Co., Ltd by Korea Shipbuilding & Marine Engineering Co., Ltd

The Competition and Consumer Commission of Singapore (“**CCCS**”) is conducting a public consultation to invite feedback on the proposed acquisition of a majority interest in Daewoo Shipbuilding & Marine Engineering Co., Ltd. (“**DSME**”) by Korea Shipbuilding & Offshore Engineering Co., Ltd. (“**KSOE**”) (collectively, the “**Parties**”) and the intended integration of the businesses of KSOE and DSME (the “**Proposed Transaction**”).

2. CCCS received an application from KSOE for a decision on the Proposed Transaction, and accepted the application as complete on 12 September 2019. CCCS is now assessing whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

The Parties

KSOE

3. KSOE is a Korean company primarily active in shipbuilding and produces a range of commercial vessels. KSOE and its affiliates¹ are also involved in the supply of vessel parts including marine propulsion engines and marine power generation engines. Further, KSOE and its affiliates are involved in:
- a. the supply of industrial products for the electricity and construction sectors and robotic technologies;
 - b. the building of offshore facilities that are used to handle oil and gas resources under the sea; and

¹ On 3 June 2019, Hyundai Heavy Industries Co., Ltd. (“**HHI**”) spun off its entire market-facing business (including its shipbuilding, offshore facilities and marine engine business) into a wholly-owned subsidiary of KSOE. Following the spin-off, KSOE now controls the business of HHI, Hyundai Mipo Dockyard and Hyundai Samho Heavy Industries.

- c. the supply of construction equipment such as excavators, wheel loaders and forklifts.
4. KSOE operates in Singapore as a foreign company registered in Singapore, via an overseas branch office. The Singapore branch of KSOE operates as a sales office.

DSME

5. DSME is a Korean company primarily active in shipbuilding. It produces a range of commercial vessels and also builds offshore facilities for use in the oil and gas sector. DSME operates in Singapore as a foreign company registered in Singapore, via an overseas branch office. Its Singapore office mainly focuses on marketing activities supporting DSME's businesses.

The Proposed Transaction

6. KSOE submits that the Parties overlap in Singapore for the supply of commercial vessels², which generally refers to ships transporting cargo or passengers. According to KSOE, the geographic market for the supply of commercial vessels is global.

7. KSOE submits that the Proposed Transaction will not give rise to anti-competitive effects, given the following:

a. **Strong prevailing state of competition**

Due to the significant excess capacity in the market, competing shipbuilders with the ability and incentive to secure each and every order which comes into the market will act as an effective competitive constraint on the Parties.

b. **High countervailing buyer power of customers and ease of switching**

The market is characterised by the presence of large ship owners who wield considerable influence and significant countervailing buyer power, which will constrain the Parties.

² Commercial vessels are classified into "vessel types" based on the characteristics of the transported item. Within the relevant vessel types, vessels are sub-classified into "vessel classes" based on the size of cargo load.

c. Low incremental effect of the Proposed Transaction

The Parties are not each other's closest competitors in the market, and the impact of the Proposed Transaction is low and marginal at most.

d. Any coordination in the market would be unsustainable

The shipbuilding industry is characterised by a large number of competitors competing for a small number of contracts, which is not a conducive environment for competitors to agree tacitly to specific transaction terms such as price.

e. Ability of new entrants to overcome barriers to entry

Whilst the barriers to entry for entities which are new to the shipbuilding business may be high, it is possible for a new entrant to enter the market within a short period of time with aggressive investment (with governmental assistance) and a low cost base.

f. Limited barriers to expansion

Low barriers to expansion for existing shipbuilders, due to high supply-side substitutability between vessel types.

8. KSOE submits that while it supplies products that are inputs for the construction of commercial vessels, the Proposed Transaction will not allow the Parties to foreclose the access of other shipbuilders to these inputs. According to KSOE, the Parties only have a limited presence in the supply of these inputs and there are numerous alternative viable sources of supply for shipbuilders.

9. KSOE submits that the Proposed Transaction would allow the Parties to create a stronger business with a more efficient cost structure that is able to compete effectively in the global shipbuilding market. According to KSOE, the Proposed Transaction will allow the Parties to deliver greater benefits to customers in the shape of improved product quality at a lower overall cost, while at the same time returning a publicly owned global shipbuilder to private ownership.

Public Consultation

10. CCCS is inviting public feedback on the Proposed Transaction from 16 September 2019 to 30 September 2019.

11. More information on the public consultation can be accessed and downloaded from the CCCS website at www.cccs.gov.sg under the section "[Public Register and Consultation](#)". If the submission/correspondence contains confidential information,

please also provide CCCS with a non-confidential version of the submission or correspondence.

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About The Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore (“**CCCS**”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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