



Determination No. M/04/040 of the Competition Authority, dated 9 August 2004, under Section 21 of the Competition Act, 2002

Notification No. M/04/040 – The proposed acquisition by Jacobs Engineering Group Inc of Babtie Group title

Introduction

1. On 12 July 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Jacobs Engineering Group Inc (“Jacobs”) would acquire the entire share capital of Babtie Group Limited (“Babtie”) (“the proposed acquisition”).

The Parties

2. Jacobs, headquartered in the United States, operates worldwide in the supply of professional technical services to industrial, commercial and government clients, across numerous industries. Its Irish subsidiary, Jacobs Engineering Ireland Limited, supplies a range of services including engineering, architectural, project management, quantity surveying, procurement, and construction management.
3. Babtie, headquartered in Scotland, operates internationally in the supply of technical and management consultancy services across several industries. In the State, Babtie mainly supplies civil engineering services related to public sector infrastructure projects.

Analysis

4. The proposed acquisition is global in nature and relates to the construction industry. Both parties are active in the construction industry in the State, and their activities overlap in the supply of engineering consultancy services for public sector infrastructure projects, particularly highway and water/waste water projects. The parties submit that the degree of overlap is minimal.
5. Jacobs’ revenue in the State in its most recent financial year, from engineering consultancy services for public sector projects, was approximately €[...]. Jacobs generated approximately €[...] from engineering consultancy services for public sector highway projects, and approximately €[...] from engineering consultancy services for public sector water/waste water projects. Of Babtie’s total revenue of €[...] for the year ended April 2004, it generated approximately €[...] from engineering consultancy services for public sector



highway projects, and approximately €[...] million from engineering consultancy services for public sector water/waste water projects.

6. Jacobs estimates that the State spends about €6.3 billion per annum on public sector projects, with total expenditure on related engineering consultancy services of approximately €300 million. Jacobs' 2003 turnover from supplying such services was approximately €[...], giving it a [0-10]% share of the sector for the supply of engineering consultancy services for public sector projects. Jacobs further estimates that total State expenditure on engineering consultancy services for highway projects, in 2003, was €168 million. Jacobs earned approximately €[...] from the provision of such services in that period, giving it an estimated [0-1]% share of that sector. Jacobs estimates that total State expenditure on engineering consultancy services for water/waste water projects, in 2003, was €70 million. Jacobs earned approximately €[...] from the provision of such services in that period, giving it an estimated [0-1]% share of that sector.
7. Having regard to the same figures, Babtie estimates that it holds [0-10]% of the Irish sector for the supply of engineering consultancy services for public sector projects, which breaks down into an estimated [0-10]% share for highway projects, and an estimated [0-10]% share for water/waste water projects.
8. Therefore the parties' estimated combined share of the sector for the provision of engineering consultancy services for public sector projects, in the State, would be about [0-10]%. The parties submit that more than 50 consulting engineering undertakings of substantial size operate in the State, and estimated sector shares were provided, as follows:

Competitor	Estimated Revenue	Sector Share
RPS	[...]	[10-30]%
Arup	[...]	[10-20]%
Jacobs	[...]	[0-10]%
Babtie	[...]	[0-10]%
Roughan & O'Donovan	[...]	[0-5]%
Motts McDonald	[...]	[0-5]%
Atkins P.H. McCarthy	[...]	[0-5]%
Barry	[...]	[0-5]%
White Young Green	[...]	[0-5]%
DBFL	[...]	[0-5]%
CEI Collins	[...]	[0-5]%
Buro Happold	[...]	[0-5]%
Parkman/Carl Bro	[...]	[0-5]%



9. The parties estimate that an average of 5–15 undertakings tender process for each public sector contract, and provided information on those undertaking which won [...] recent contracts, as follows: [...]

Conclusion

10. Jacobs and Babbie overlap in the supply of engineering consultancy services for public sector projects in the State. Their respective shares of that sector are minimal. While there would appear to be potential for future competition and overlap in the private sector, there are a significant number of competitors operating in the State. Further, the Authority notes that customers who tender for construction of public and commercial construction projects are generally well-informed and experienced and would be able to exercise some degree of buyer power. The results of the Authority's independent market enquiries broadly support and confirm the information provided by the parties.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the proposed acquisition by Jacobs Engineering Group Inc of Babbie Group Limited will not result in a substantial lessening of competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority