

Part II

# **Background and evidence**

# 3 The merger situation and the companies involved

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## Introduction

3.1. This chapter deals with the events leading up to the acquisition by CHC of HSG. Their respective wholly-owned subsidiaries Brintel and Bond both operate helicopter support services to the UKCS. The chapter also deals with the corporate structure and financial performance of CHC and HSG and the financial performance of Brintel and Bond and of Bristow, the other main operator of helicopter support services to the UKCS. It concludes with comments on the effects of the merger of Brintel and Bond.

3.2. Both parties perform worldwide helicopter operations. CHC operates in the UK, Denmark, Africa, the Caspian Sea, Saudi Arabia, South America, South-East Asia and Canada. HSG operates in Norway, the UK and Ireland, as well as Australia, the Pacific Rim area and Africa. We were told that the merger would produce a group that both parties believed would create a broader and more robust business base from which they could serve more efficiently the much larger global oil and offshore companies on a worldwide basis.

## Events leading up to the acquisition

3.3. In September 1992, the MMC recommended that the proposed acquisition by Bond of the North Sea helicopter business of BIH should not be allowed to proceed.<sup>1</sup>

3.4. In 1993 a management buyout of BIH took place. The acquiring company was Brintel Holdings Limited (Brintel Holdings), with the shares of Brintel Holdings being owned 40 per cent by financial investors, 40 per cent by CHC, through its wholly-owned subsidiary Canadian Helicopters (UK) Limited (CHUKL), and 20 per cent by management and staff. On 15 December 1993 CHUKL increased its shareholding to 90 per cent of Brintel Holdings. The remaining 10 per cent was acquired by CHUKL on 18 February 1994.

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<sup>1</sup>See footnote to paragraph 2.9.

3.5. The CAA issues Brintel's operating licence. Under EC law, Brintel must be 'effectively controlled' and 'majority owned' by nationals of member states of the EEA to maintain its Operating Licence. CHC is a publicly traded company controlled by Mr Craig L Dobbin, its present Chairman and Chief Executive Officer. Mr Dobbin is a citizen of both Canada and the Republic of Ireland, a member state of the EC.

3.6. The CAA told us that following the takeover of Brintel by CHC the European Commission became involved in the question of Brintel's compliance with the EC requirements on ownership and control because two of Brintel's competitors complained to the European Commission. The CAA said that the European Commission investigated and indicated that it believed that Brintel's ownership structure in place at the time did not comply with ownership and control requirements. It told us that the European Commission then had discussions with CHC, the CAA and the DETR with a view to agreeing a structure that it regarded as compliant. The CAA told us that the structure in place today was agreed as a result of these discussions.

3.7. To realize the agreed structure, CHC created and issued 11 million shares of a new class of common or ordinary voting securities (Ordinary shares) to a corporation indirectly wholly owned by Mr Dobbin on 9 December 1997. Table 3.1 shows the share structure of CHC and the voting rights of Mr Dobbin in that company as at 30 April 1999, indicating that Mr Dobbin owned directly or indirectly 58.33 per cent of all the issued equity shares and 67.09 per cent of the voting rights.

TABLE 3.1 **CHC: the structure of shares and Mr Craig L Dobbin's share ownership and voting rights as at 30 April 1999**

	<i>Total</i>		<i>C L Dobbin</i>	
	<i>No of shares</i>	<i>Votes</i>	<i>No of shares</i>	<i>Votes</i>
Class A subordinate voting shares	12,386,000	12,386,000	2,158,615	2,158,615
Class B multiple voting shares	2,985,000	29,850,000	2,581,716	25,817,160
Class A subordinate voting share purchase warrants	613,000	0	0	0
Ordinary shares	<u>11,000,000</u>	<u>1,100,000</u>	<u>11,000,000</u>	<u>1,100,000</u>
	<u>26,984,000</u>	<u>43,336,000</u>	<u>15,740,331</u>	<u>29,075,775</u>
			58.33%	67.09%

Source: CHC.

3.8. CHC told us that, in view of the criticality of Mr Dobbin's shareholding to its Operating Licence, CHC's board had initiated steps to implement an ownership structure that would meet regulatory requirements in the event of Mr Dobbin's departure or demise, and CHC has had informal meetings with the CAA to discuss its proposed structure. CHC told us that such meetings were ongoing and that it had been assured by the CAA that, as long as the process was in place to ensure that licensing requirements were met from a majority ownership and control perspective, in the event of the death of an EEA national, and that that procedure was acceptable to the CAA, then the licence would be maintained for a reasonable period for that to be achieved.

3.9. The CAA confirmed that it has had discussions with CHC about the implications of Mr Dobbin disposing of his shares, or his death. They said that there is a formal process for any action against an operating licensee for non-compliance with ownership and control requirements, including a right on the company's part to make representations. The CAA told us that it had indicated to CHC that if within the formal process the company gave the undertakings to implement a compliant structure that had been pre-approved by the CAA, the CAA would act as reasonably as it could to allow the implementation of that structure to take place.

3.10. In June 1994 it was announced that Bond Holdings Limited (Bond Holdings) and Helikopter Service AS (HS) had signed an agreement to create HSG as the world's then largest civil helicopter operating company. In July 1999, during the acquisition of HSG by CHC, the management and board of HSG and Bond sold Bond Air Services, a separate division of Bond operating onshore emergency services (see paragraph 3.61). CHC told us that it was not aware of the sale until shortly before the public announcement.

3.11. CHC told us that Brintel was informed in March 1998 that it had not retained, after negotiations following a tender process, a contract with Shell. This contract, serviced mainly from Sumburgh,

had provided approximately 50 per cent of Brintel's turnover in the year to April 1998. CHC considered several options on how it should deal with the effect that this substantial loss of revenue had on the ongoing viability of Brintel, including: diversification; rationalization; sale of Brintel; purchase of another operator; and exit. CHC told us that HSG and Schreiner were contacted on several occasions during 1998 to see if either of them would be interested in purchasing Brintel, but neither operator pursued the offer.

## **The acquisition**

3.12. CHC told us that in late 1998 it considered that consolidation in the North Sea was inevitable and that CHC would be either a buyer or a seller. CHC first identified HSG as a potential acquisition in January 1999. During the previous 12 months HSG's share price had fallen from a trading value of approximately NOK100 to approximately NOK35. The fall in trading value had taken place even though there had been little or no change in HSG's underlying asset value over that period of time. CHC considered that the share price reflected the falling profitability of HSG due to the decline in the offshore market.

3.13. CHC's board first gave its approval to the concept of acquiring HSG on 26 February 1999. CHC told us that the acquisition was considered a 'perfect fit' for the following reasons:

- (a) The operations were similar in that both companies provided onshore and offshore services.
- (b) The geographical scopes of the two companies were complementary; HSG had a presence in many parts of the world where CHC was not present. The only material geographical overlap was in the UK sector of the North Sea.
- (c) The identified synergies that would result from consolidation were crucial to improving the group's viability and stability, particularly in the North Sea where the decline in demand and rates over recent years had threatened the long-term viability of the industry.

As a result, consolidation would produce a group with a broader and more robust business base from which requirements of global oil customers could be better met.

3.14. CHC told us that the opportunity to acquire HSG was also timely because CHC had raised a large amount of cash from the public offering of 80 per cent of the shares in Vector Aerospace Corporation, CHC's Canadian repair and overhaul business with which it had reduced its long-term debt, and would be in a position to raise additional funds through its sale of the remaining 20 per cent and from traditional debt markets.

3.15. This would, however, still have left CHC with a funding gap. CHC told us that this was filled by the sale of 12 aircraft to OLOG. Appendix 3.1 contains details of the transaction.

3.16. The sequence of events by which CHC acquired control of HSG is detailed in Appendix 3.1.

## **CHC**

3.17. CHC is a Canadian-registered public corporation whose shares are quoted on the Toronto Stock Exchange and on the NASDAQ Stock Exchange in New York.

3.18. Its origins can be traced back to Sealand Helicopters Limited, founded by Craig L Dobbin in 1977. In 1986 another company controlled by Mr Dobbin acquired Toronto Helicopters Limited and in 1987 Okanagan Helicopters. The operations of these three companies were integrated along with various other companies supplying helicopter-related services in Canada to form CHC on 31 July 1987. The initial public offering was floated on the Toronto Stock Exchange on 20 August 1987.

3.19. Since 1987 further acquisitions had taken place so that CHC had become the holding company for a group of companies engaged principally in helicopter operations worldwide. CHC operated in the UK through Brintel. Brintel's main activity was the supply of helicopter support services to offshore oil

installations in the Northern Zone, and Southern Zone until 1995, of the UKCS. The corporate structure of CHC, after the merger with HSG, is shown in Appendix 3.2. Tables 3.2 and 3.3 provide summaries of the last five years' published accounts of CHC, with a translation into sterling for the most recent year.

TABLE 3.2 CHC: profit and loss accounts

	\$Cdn'000					£'000*
	Years ended 30 April					1999
	1995	1996	1997	1998	1999	
Turnover	<u>366,920</u>	<u>334,183</u>	<u>351,749</u>	<u>354,125</u>	<u>242,194</u>	<u>103,502</u>
Operating profit	21,971	40,102	45,034	43,346	34,402	14,702
Non-operating income (net)	<u>5,846</u>	<u>1,811</u>	<u>357</u>	<u>2,816</u>	<u>75,253</u>	<u>32,159</u>
Profit before interest	27,817	41,913	45,391	46,162	109,655	46,861
Net interest (paid)	<u>(26,976)</u>	<u>(27,420)</u>	<u>(26,114)</u>	<u>(27,559)</u>	<u>(18,905)</u>	<u>(8,079)</u>
Profit before tax	841	14,493	19,277	18,603	90,750	38,782
Tax	<u>(1,936)</u>	<u>(6,879)</u>	<u>(9,202)</u>	<u>(8,498)</u>	<u>(34,022)</u>	<u>(14,539)</u>
Profit/(loss) after tax	(1,095)	7,614	10,075	10,105	56,728	24,243
Dividends	<u>(1,161)</u>	<u>(1,163)</u>	<u>(1,171)</u>	<u>(1,383)</u>	<u>(62,898)</u>	<u>(26,879)</u>
Retained earnings/(loss)	(2,256)	6,451	8,904	8,722	(6,170)	(2,637)

Source: CHC/CC.

\*Exchange rate used £1=\$Cdn2.34 (30 April 1999).

3.20. CHC's non-operating income in 1999 included a pre-tax gain of \$Cdn94.8 million (£40.5 million) from the sale of 80 per cent of CHC's Canadian repair and overhaul business, Vector Aerospace Corporation.

TABLE 3.3 CHC: balance sheets

	\$Cdn'000					£'000*
	As at 30 April					1999
	1995	1996	1997	1998	1999	
Fixed assets:						
Tangibles	254,984	282,540	298,754	344,661	326,535	139,545
Intangible	13,333	17,598	17,256	16,226	11,324	4,839
Investments	<u>17,053</u>	<u>14,367</u>	<u>12,637</u>	<u>15,623</u>	<u>3,563</u>	<u>1,523</u>
	285,370	314,505	328,647	376,510	341,422	145,907
Current assets:						
Stock	73,083	80,277	113,248	149,860	37,976	16,229
Debtors	<u>80,606</u>	<u>66,889</u>	<u>54,976</u>	<u>83,249</u>	<u>54,261</u>	<u>23,188</u>
Total current assets	153,689	147,166	168,224	233,109	92,237	39,418
Creditors due within one year	<u>(57,894)</u>	<u>(53,263)</u>	<u>(67,190)</u>	<u>(67,281)</u>	<u>(55,073)</u>	<u>(23,535)</u>
Net operating assets	381,165	408,408	429,681	542,338	378,586	161,789
Net debt	(259,267)	(255,210)	(262,302)	(316,997)	(207,879)	(88,837)
Debtors less creditors due after one year	-	-	2,994	5,724	71,660	30,624
Provisions	<u>(44,829)</u>	<u>(57,502)</u>	<u>(65,709)</u>	<u>(72,892)</u>	<u>(92,764)</u>	<u>(39,643)</u>
Net assets	<u>77,069</u>	<u>95,696</u>	<u>104,664</u>	<u>158,173</u>	<u>149,603</u>	<u>63,933</u>
Shareholders' funds:						
Share capital	76,563	76,910	74,739	117,291	114,773	49,048
Reserves	<u>506</u>	<u>18,786</u>	<u>29,925</u>	<u>40,882</u>	<u>34,830</u>	<u>14,885</u>
Shareholders' funds	<u>77,069</u>	<u>95,696</u>	<u>104,664</u>	<u>158,173</u>	<u>149,603</u>	<u>63,933</u>

Source: CHC/CC.

\*Exchange rate used £1=\$Cdn2.34 (30 April 1999).

TABLE 3.4 CHC: key ratios

	1995	1996	1997	1998	1999
Operating profit as a percentage of turnover	6.0	12.0	12.8	12.2	14.2
Operating profit as a percentage of average net operating assets	5.8	10.2	10.7	8.9	7.5
Profit before interest and tax as a percentage of average net operating assets	7.4	10.6	10.8	9.5	23.8*
Profit/(loss) after tax as a percentage of average shareholders' funds	(1.4)	8.8	10.1	7.7	36.9
Net debt:equity (%)	336.4	266.7	250.6	200.4	139.0
Interest cover (times)	1.0	1.5	1.7	1.7	5.8
Average number of employees	1,622	1,571	1,529	1,630	1,002

Source: CHC/CC analysis.

\*Excluding the proceeds of the sale of Vector Aerospace Corporation, profit before interest and tax as a percentage of average net operating assets is 3.2 per cent.

3.21. CHC provides its helicopter operations through four divisions: Canadian Helicopters Eastern and Canadian Helicopters Western provide onshore helicopter services for all sectors within Canada. Canadian Helicopters International delivers offshore oil and gas services elsewhere around the globe except for the NWECS which is covered by Brintel. Table 3.5 shows the split of 1998 and 1999 helicopter operations revenue between divisions.

TABLE 3.5 CHC: split of revenue

	1998		1999	
	Can\$'000	%	Can\$'000	%
Eastern Canada	41,504	18.5	41,924	19.5
Western Canada	45,075	20.1	45,378	21.2
International	29,559	13.2	46,949	21.9
Brintel	108,789	48.5	78,774	36.7
Domestic Intercompany	(431)	(0.2)	1,526	0.7
Helicopter operations	224,496	100.0	214,551	100.0
Repair and overhaul	129,629		27,643	
Total revenue	354,125		242,194	

Source: CHC.

3.22. The 1999 decrease in revenue from repair and overhaul reflects the sale of 80 per cent of that business in June 1998. The revenue from Brintel's operations represented 48.5 per cent of CHC's total revenues from helicopter operations in 1998. In 1999 Brintel's revenues fell by some 28 per cent because of the loss of the Shell contract (see paragraph 3.11), making up only 36.7 per cent of CHC's total revenues.

3.23. The split of CHC's 1998 and 1999 revenue by industry sector is shown in Table 3.6.

TABLE 3.6 CHC: revenue per industry sector

	per cent	
	1998	1999
International oil and gas	55	45
Construction, utilities, geology/mining	19	18
Forestry/logging	9	11
Emergency medical services	4	5
Other (training, passenger transport etc)	13	21
Total	100	100

Source: CHC.

## **Brintel**

3.24. The operation was founded in 1947 as an experimental unit within British European Airways and had five helicopters. In the early years it operated mail services and some passenger services. A separate company, BEA Helicopters Ltd, was formed in 1964 and in this year the Penzance–Isles of Scilly service was inaugurated.

3.25. North Sea oil and gas exploration began in the early 1960s and Brintel's North Sea support operations were started in July 1965. Operations from Aberdeen commenced in July 1967 with operations from Sumburgh following in 1971. During the 1970s the company continued to expand its North Sea operations mainly using Sikorsky helicopters. The company also purchased its first flight simulator.

3.26. Maxwell Aviation purchased the company from British Airways plc (BA) in 1986. The company was subsequently renamed British International Helicopters Ltd (BIH). The change of ownership did not significantly affect the range of the company activities, which continued to be concentrated on its North Sea operations.

3.27. In late 1991, because of the financial difficulties of the Maxwell companies, BIH could not obtain payment of the substantial amounts due to it from other Maxwell companies, and administrators acting under the Insolvency Act 1986 were appointed on 12 December 1991. The role of the administrators in this case was to realize the assets of the company on behalf of the creditors. In practice this meant trying to sell the company's operations as a going concern, if at all possible.

3.28. The administrators prepared an information document listing BIH's assets. It was circulated to companies that might be interested in acquiring all or part of the activities, and invited them to make offers.

3.29. The administrators actively considered the four most suitable bids from the various offers they received. These bids were from:

- (a) Bond, the bid that was the subject of a referral to the MMC (see paragraph 3.3);
- (b) Bristow, the largest helicopter operator in the Northern Zone of the North Sea in 1991 (a position it still holds in 1999). This bid was withdrawn after being referred to the MMC;
- (c) a consortium consisting of UK investment institutions with a minority interest held by OLOG, a US helicopter operator; and
- (d) a management buyout. This bid included the minority shareholding investments by CHC and by Brown Shipley Venture Managers. This proposed bid was not referred to the MMC.

3.30. As detailed in paragraphs 3.3 and 3.4, after the recommendation by the MMC that the merger with Bond should not be allowed to proceed, the management buyout took place in 1993.

3.31. In 1992 Brintel was providing services to the North Sea from bases in Aberdeen, Sumburgh (Shetland Isles) and Beccles in Suffolk. The Beccles base served the Southern Zone of the North Sea and Aberdeen and Sumburgh the Northern Zone. In 1995 the contract which was serviced out of Beccles was lost with the result that the Beccles base was closed and subsequently sold and Brintel ceased to operate in the Southern Zone, although continuing to bid for contracts from time to time.

3.32. In 1998 the Shell contract serviced from Sumburgh and Aberdeen was lost with the result that the Sumburgh operational base was closed. Brintel also gave notice to terminate its hangar lease at Sumburgh.

3.33. Brintel's core business is currently the provision of helicopter support services to the Northern Zone of the UKCS only. To service this market Brintel operates a fleet of twin-engined medium and heavy helicopters, which fly out of its Aberdeen base. In addition to the services provided in the UK sector of the North Sea, Brintel also operates:

- (a) two twin-engined helicopters for the Ministry of Defence (MOD) in support of the garrison in the Falkland Islands;
- (b) a scheduled helicopter passenger service between Penzance and the Isles of Scilly which has been in operation for 34 years;
- (c) two helicopter flight simulators in the UK. These are on the whole used for in-house training and research. However, they are also used by a number of third parties, which include the MOD and the CAA; and
- (d) in July 1999 Brintel started operating four helicopters out of Esbjerg in Denmark to service a contract with Maersk won in the Danish sector of the North Sea.

3.34. Brintel also has relatively small onshore helicopter operations in addition to those described above, conducted through Veritair Limited (Veritair), which was purchased in October 1996. Veritair operates two small twin-engined helicopters out of Cardiff heliport. One operates a support contract for the South Wales police while the other acts as back-up. In addition, the second aircraft is able to obtain ad hoc work primarily, but not exclusively, within Wales.

3.35. Brintel currently has an offshore fleet of 22 aircraft and employs 324 staff. Table 3.7 shows where the fleet is based.

TABLE 3.7 **Brintel helicopter fleet**

<i>Base</i>	<i>Aircraft nos</i>
Aberdeen	11
Esbjerg (Denmark)	4
Falklands	2
Penzance	2
Storage	<u>3</u>
Total	22

Source: Brintel.

3.36. Table 3.8 shows the details of the aircraft based at Aberdeen.

TABLE 3.8 **Brintel aircraft fleet, Aberdeen**

<i>Type</i>	<i>Call sign/ serial no</i>	<i>Year of manufacture</i>	<i>Status</i>
Eurocopter AS332Ls (Super Puma)Mark I	G-BKZE/2102	1983	Owned
	G-BKZG/2106	1983	Owned
	G-BKZH/2107	1983	Owned
	G-BOZK/2179	1988	Owned
	G-BSOI/2063	1983	Leased
	G-BUZZ/2069	1983	Owned
Sikorsky S61Ns	G-TIGZ/2115	1984	Leased
	G-ATBJ/61269	1965	Owned (in storage)
	G-AYOY/61476	1971	Owned
	G-BEIC/61222	1964	Owned (in storage)
	G-BEWM/61772	1977	Owned
Sikorsky S76A+	G-BFFK/61778	1978	Owned
	G-CHCD/61270	1965	Owned

Source: Brintel.

3.37. Brintel also has a 47 per cent shareholding in a Norwegian aviation company, Airlift AS. The company has a fleet of 19 aircraft and conducts search and rescue services, air ambulance services and underslung load work. The company does not carry out any offshore work for the oil and gas industry.

3.38. Tables 3.9 and 3.10 provide summaries of the last five years' published accounts of Brintel.

TABLE 3.9 Brintel: profit and loss accounts

	Years ended 30 April					£'000
	1995	1996	1997	1998	1999*	
Turnover	<u>50,130</u>	<u>47,663</u>	<u>45,386</u>	<u>45,593</u>		⌋
Operating profit	3,674	5,142	3,356	4,572		
Non-operating income	-	<u>1,823</u>	<u>947</u>	<u>905</u>		
Profit before interest	<u>3,674</u>	<u>6,965</u>	<u>4,303</u>	<u>5,477</u>		
Net interest paid	<u>(1,412)</u>	<u>(1,251)</u>	<u>(1,340)</u>	<u>(1,468)</u>	⊗	
Profit before tax	<u>2,262</u>	<u>5,714</u>	<u>2,963</u>	<u>4,009</u>		
Tax	<u>(427)</u>	<u>(1,934)</u>	<u>(933)</u>	<u>(1,238)</u>		
Profit after tax	<u>1,835</u>	<u>3,780</u>	<u>2,030</u>	<u>2,771</u>		
Retained earnings	1,835	3,780	2,030	2,771		

Source: Brintel.

\*Draft, unaudited accounts subject to taxation and final adjustments. Profit is after deducting a CHC management charge of £1.015 million, compared with £1.004 million in 1998.

TABLE 3.10 Brintel: balance sheets

	As at 30 April					£'000
	1995	1996	1997	1998	1999*	
Fixed assets:						⌋
Tangibles	27,076	49,469	48,521	46,941		
Investments	-	-	<u>824</u>	<u>2,119</u>		
	<u>27,076</u>	<u>49,469</u>	<u>49,345</u>	<u>49,060</u>		
Current assets:						
Stock	3,606	3,517	3,723	3,686		
Debtors	<u>10,312</u>	<u>13,843</u>	<u>16,971</u>	<u>20,682</u>		
Total current assets	<u>13,918</u>	<u>17,360</u>	<u>20,694</u>	<u>24,368</u>		
Creditors due within one year	<u>(8,651)</u>	<u>(8,077)</u>	<u>(7,625)</u>	<u>(5,718)</u>	⊗	
Net operating assets	<u>32,343</u>	<u>58,752</u>	<u>62,414</u>	<u>67,710</u>		
Net debt	<u>(26,384)</u>	<u>(26,769)</u>	<u>(27,513)</u>	<u>(29,095)</u>		
Provisions	<u>(2,196)</u>	<u>(10,710)</u>	<u>(11,598)</u>	<u>(12,541)</u>		
Net assets	<u>3,763</u>	<u>21,273</u>	<u>23,303</u>	<u>26,074</u>		
Shareholders' funds:						
Share capital	-	-	-	-		
Revaluation reserves	-	13,451	13,176	11,764		
Retained earnings	<u>3,763</u>	<u>7,822</u>	<u>10,127</u>	<u>14,310</u>		
Shareholders' funds	<u>3,763</u>	<u>21,273</u>	<u>23,303</u>	<u>26,074</u>		

Source: Brintel.

\*Draft, unaudited accounts subject to taxation and final adjustments.

3.39. Table 3.11 shows some key financial ratios for Brintel.

TABLE 3.11 Brintel: key ratios

	1995	1996	1997	1998	1999*
Operating profit as a percentage of turnover	7.3	10.8	7.4	10.0	⌋
Operating profit as a percentage of average net operating assets	11.6	11.3	5.5	7.0	
Profit before interest and tax as a percentage of average net operating assets	11.6	15.3	7.1	8.4	
Profit after tax as a percentage of average shareholders' funds	64.5	30.2	9.1	11.2	
Net debt:equity (%)	701.1	125.8	118.1	111.6	
Interest cover (times)	2.6	5.6	3.2	3.7	
Average number of employees	470	403	375	382	

Source: Brintel/CC analysis.

\*Based on draft, unaudited accounts subject to taxation and final adjustments.

3.40. Table 3.12 shows the make-up of Brintel's revenues, costs and profits by location for the three years to 30 April 1999.

TABLE 3.12 Brintel: analysis of revenue costs and profit by location

	£'000					
	Years ended 30 April					
	1997	1998	1999			
<i>Revenue</i>						
Aberdeen	(	)	(			
Sumburgh						
Shannon						
S61 simulator						
Penzance				⊗	⊗	
Falklands						
Farnborough						
Other	)	)	)			
	<u>45,384</u>	<u>45,593</u>				
<i>Direct costs</i>						
Aberdeen	(	)	(			
Sumburgh						
Shannon						
S61 simulator						
Penzance						
Falklands						
Farnborough						
Other				)		
<i>Gross profit</i>						
Aberdeen	(	)	(			
Sumburgh						
Shannon						
S61 simulator						
Penzance						
Falklands						
Farnborough						
Other				)		
<i>Overheads</i>						
Aberdeen	(	)	(			
Sumburgh						
Shannon						
S61 simulator						
Penzance						
Falklands						
Farnborough						
Other				)		
<i>Operating profit/(loss)</i>						
Aberdeen				(	)	(
Sumburgh						
Shannon						
S61 simulator						
Penzance						
Falklands						
Farnborough						
Other	)					

*Figures omitted. See note on page iv.*

Source: Brintel.

3.41. Tables 3.9 and 3.12 show the fall in Brintel's revenue from £45 million in 1997 to £[⊗] million in 1999 caused by the loss, in July 1998, of the Shell contract serviced from Sumburgh and Aberdeen. The combined Sumburgh and Aberdeen revenues from the Shell contract were £[⊗] million in 1997, £[⊗] million in 1998 and £[⊗] million in 1999. Table 3.9 shows the resulting fall in operating profit from £4.6 million in 1998 to £[⊗] million in 1999. Profit before tax dropped from £4.0 million in 1998 to £[⊗] million in 1999.

3.42. Table 3.13 shows Brintel's revenue, costs and profits for its activities in the Northern Zone for the three years to 30 April.

TABLE 3.13 Brintel: revenue, costs and profit for activities in the Northern Zone

	£'000		
	Years ended 30 April		
	1997	1998	1999
Revenue	<div style="font-size: 3em; display: inline-block; vertical-align: middle;">[</div> <div style="display: inline-block; vertical-align: middle; text-align: center;"> <p><i>Figures omitted.</i> <i>See note on page iv.</i></p> </div> <div style="font-size: 3em; display: inline-block; vertical-align: middle;">]</div>		
Direct costs			
Gross profit			
Overhead costs			
Operating profit			

Source: Brintel.

## HSG

3.43. HSG is one of the world's largest helicopter operators with a combined fleet of 170 aircraft and a total workforce of about 2,000. The group has its headquarters in Norway and comprises Helikopter Service AS in Stavanger (Norway), with subsidiaries; Bond in Aberdeen, with subsidiaries; Lloyd Helicopters Services Pty Limited (Lloyd Helicopters) in Adelaide (Australia), with subsidiaries; and Court Helicopters (Pty) Limited (Court Helicopters) in South Africa.

3.44. Helikopter Service AS was formed in Norway in 1956 as a small onshore operator. In 1966 the company moved into offshore activities in the Norwegian sector of the North Sea, expanding rapidly through the 1960s and 1970s. Since the mid-1980s the company has developed its international business through its own growth, accompanied by a series of acquisitions. On 2 July 1991 the company was listed on the Oslo stock exchange. In 1994, an agreement was signed with the owners of Bond leading to the creation of HSG and a multi-stage acquisition of all the shares in Bond and its Australian subsidiary Lloyd Helicopters. The present group structure was introduced in February 1996 and refined to its present structure in January 1998. HSG acquired Court Helicopters in 1998. The corporate structure of HSG, before the merger, is shown in Appendix 3.3.

3.45. HSG's current operational areas include Norway, Sweden, the UK, Ireland, Australia, India, the Philippines and Thailand, South Africa, Angola and Namibia. In addition, HSG helicopters are on lease to operators in Brazil, Canada, Denmark and Greenland. The group is a minority shareholder in helicopter companies based in Spain and Germany. CHC told us that the holding in the Spanish company is in the process of being sold to Schreiner.

3.46. HSG's core business is helicopter support to the offshore oil and gas industry, utilizing a fleet of twin-engined heavy and medium helicopters. In 1998 HSG's offshore operations accounted for approximately 69 per cent of the group's revenues, with operations in Norway, the UK and Irish continental shelves, the Australian continental shelf and other regions in the Pacific Rim area and South Africa, Namibia and Angola. Bond Helicopters alone accounted for approximately 28 per cent of HSG's total 1998 revenue.

3.47. HSG also provides air ambulance services, various forms of non-tactical defence support, contract maintenance, training and helicopter repair and overhaul. International and support services, ie maintenance and overhaul etc, contributed about 18 per cent of group revenues in 1998 with onshore activities contributing 13 per cent.

3.48. HSG had been adversely affected by a deteriorating contract situation caused by the uncertainty surrounding both oil prices and the demand for offshore helicopter services worldwide. It had been required in 1998 and in early 1999 to obtain waivers of covenants in respect of a loan facility agreement at which time it had signalled to the banks that it needed to restructure itself in order not to continue to breach the loan agreement covenants during 1999 (see Appendix 3.1).

3.49. Tables 3.14 and 3.15 provide summaries of the last five years' published accounts of HSG with a translation into sterling for the most recent year.

TABLE 3.14 HSG: profit and loss accounts

	Years ended 31 December					£'000*
	1994	1995	1996	1997	1998	
					NOK'000	
Revenue	1,759,432	2,182,846	2,164,926	2,471,522	2,716,250	214,215
Operating expenses	(1,495,666)	(1,879,852)	(1,943,363)	(2,215,845)	(2,526,213)	(199,228)
Operating profit	263,766	302,994	221,563	255,677	190,037	14,987
Non-operating income	20,958	35,945	41,295	6,545	14,714	1,160
Profit before interest	284,724	338,939	262,858	262,222	204,751	16,148
Net interest paid	(67,637)	(137,382)	(119,363)	(111,409)	(98,860)	(7,797)
Profit before tax	217,087	201,557	143,495	150,813	105,891	8,351
Tax	(62,679)	(55,561)	(41,694)	(34,656)	(37,477)	(2,956)
Profit after tax	154,408	145,996	101,801	116,157	68,414	5,395
Dividends	(70,613)	(60,960)	(50,973)	(51,030)	0	0
Retained earnings	83,795	85,036	50,828	65,127	68,414	5,395

Source: HSG/CC.

\*Exchange rate used £1=NOK12.68 (as at 31 December 1998).

TABLE 3.15 HSG: balance sheets

	As at 31 December					£'000*
	1994	1995	1996	1997	1998	
					NOK'000	
Fixed assets:						1998
Tangibles	3,167,128	3,034,535	3,071,049	2,817,281	2,825,552	222,835
Intangibles	323,768	278,694	295,225	313,201	380,456	30,004
Investments	103,849	114,925	116,903	206,528	180,931	14,269
	3,594,745	3,428,154	3,483,177	3,337,010	3,386,939	267,109
Current assets:						
Stock						
Debtors	322,829	290,615	295,621	364,701	357,877	28,224
Other	86,775	109,865	130,307	160,118	124,665	9,832
Total current assets	409,604	400,480	425,928	524,819	482,542	38,055
Creditors due within one year	(1,021,285)	(618,522)	(642,516)	(459,731)	(511,255)	(40,320)
Net operating assets	2,983,064	3,210,112	3,266,589	3,402,098	3,358,226	264,844
Net cash	452,531	349,760	219,717	249,218	329,407	25,978
Creditors less debtors due after one year	(1,551,651)	(1,623,701)	(1,625,214)	(1,744,418)	(1,709,292)	(134,802)
Provisions	(642,048)	(638,084)	(626,414)	(602,506)	(576,659)	(45,478)
Net assets	1,241,896	1,298,087	1,234,678	1,304,392	1,401,682	110,543
Shareholders' funds:						
Share capital	232,014	232,531	233,596	234,740	234,740	18,513
Reserves	1,009,882	1,065,556	1,001,082	1,069,652	1,166,942	92,030
Shareholders' funds	1,241,896	1,298,087	1,234,678	1,304,392	1,401,682	110,543

Source: HSG/CC.

\*Exchange rate used £1=NOK12.68 (as at 31 December 1998).

3.50. Table 3.16 shows some key financial ratios for HSG.

TABLE 3.16 HSG: key ratios

	1994	1995	1996	1997	1998
Operating profit as a percentage of turnover	15.0	13.9	10.2	10.3	7.0
Operating profit as a percentage of average net operating assets	10.9	9.8	6.8	7.7	5.6
Profit before interest and tax as a percentage of average net operating assets	11.8	10.9	8.1	7.9	6.1
Profit after tax as a percentage of average shareholders' funds	13.9	11.5	8.0	9.1	5.1
Net debt:equity (%)	36.4	26.9	17.8	19.1	23.5
Interest cover (times)	4.2	2.5	2.2	2.4	2.1
Average number of employees	979	1,424	1,819	1,815	1,919

Source: HSG/CC analysis.

## **Bond**

3.51. Bond was formed in 1961 by David Bond, a former RAF pilot. At that time it was known as Management Aviation. It was based at Bourn Airfield near Cambridge and operated single piston-engined helicopters on work such as crop-spraying, patrol of overhead power lines and lifting underslung loads. It built up a fleet of six helicopters.

3.52. In August 1972 the company purchased its first twin-engined helicopter suitable for work in the North Sea. After extensive trials and demonstrations with potential customers in the offshore oil and gas industry, the company won its first offshore contract in January 1973; this was for operations in the Southern Zone of the UK sector of the North Sea.

3.53. North Scottish Helicopters (NSH) was set up in 1974 as a subsidiary company of Management Aviation. At that time 49 per cent of the share capital was held by various Scottish institutional investors. This minority interest was acquired by Management Aviation in 1976. Up to 1979 the company's activities in the Northern Zone of the UK sector involved mainly offshore-based inter-platform shuttles and supporting pipeline barges.

3.54. During the 1970s Management Aviation quickly built up a fleet of medium and heavy helicopters to meet the oil industry's offshore needs. Between 1975 and 1978 three medium helicopters (Sikorsky S58Ts) were acquired on operating leases which were replaced with new generation helicopters in 1979/80. In 1979 Management Aviation and NSH jointly entered the Northern Zone UK sector oilrig crew change market, the most important part of the overall market. Up to that time this part of the market had been largely serviced by Bristow and British Airways Helicopters (now Brintel). This activity needed the heavy category of helicopter and so in 1979 and 1980 four Sikorsky S61 helicopters were acquired on operating leases.

3.55. Management Aviation and NSH were merged in 1984 to form Bond. During the 1980s Bond continued to expand its operations, particularly in the Northern Zone of the UK sector. Heavy, 19-seater, Aerospatiale Super Puma AS332L helicopters were purchased to replace the Sikorsky S61Ns. This provided Bond with an adaptable and highly successful heavy helicopter fleet with which to serve long-range installations.

3.56. At the time of the 1992 report, Bond had operational bases serving the UK sector of the North Sea in Aberdeen, Humberside, Strubby (Lincolnshire) and Great Yarmouth. A further base existed in Blackpool in order to serve Morecambe Bay.

3.57. In 1994 the owners of Bond signed an agreement with HSG which led to the takeover of Bond and its Australian subsidiary Lloyd Helicopters (see paragraph 3.44).

3.58. At the beginning of 1999 Bond's principal activity was the provision of helicopter support services for the offshore oil and gas industry throughout the UKCS. The majority of Bond's offshore helicopter fleet was made up of heavy and medium helicopters, although a number of smaller craft are also used. To service its customers in the UK sector (both Northern and Southern Zones), the company's fleet operated out of its headquarters in Aberdeen along with bases in North Denes (Great Yarmouth) and Humberside. In addition to its offshore support services provided in the North Sea, Bond also operated:

- (a) offshore support to Morecambe Bay from Blackpool;
- (b) offshore support on the Irish Continental Shelf through its subsidiary, Bond Helicopters (Ireland) Ltd (Bond Ireland) out of Cork;
- (c) search and rescue services as Bond Ireland for the Irish Department of the Marine out of Shannon and Dublin;
- (d) support operations for the UK MOD on non-tactical tasks, including passenger and freight transport to and from Royal Navy vessels in the Channel, operating out of Plymouth;
- (e) sling cargo lifting and transport support to the British lighthouse authority, Trinity House; and
- (f) a sea pilot transport service out of a base at Sullom Voe in the Shetlands.

3.59. The sling cargo lifting and transport services and sea pilot transport were part of Bond Air Services and did not form part of the merger (see paragraph 3.61).

3.60. Up to July 1999, Bond had a fleet of 47 aircraft and employed 587 staff.

3.61. Bond operated its UK onshore helicopter division under the name Bond Air Services (BAS) which operated a number of air ambulance services and police air support. On 3 June 1999 it was announced on the Norwegian Stock Exchange that Bond had signed an agreement to sell BAS to a company owned by Peter and Stephen Bond. The sale was completed on 15 July 1999. Peter and Stephen Bond are the sons of David Bond, the founder of the company. Stephen Bond was the Managing Director, and Peter Bond was an employee of Bond immediately prior to its sale to HSG. Both brothers were directors of Bond up to the date on which they acquired BAS, at which point they both resigned as directors.

3.62. The agreement for the sale of BAS, referred to in paragraphs 3.10 and 3.61, contained the following restrictive non-competition covenants:

- (a) that Bond would not for five years compete with any part of the BAS business (defined as providing helicopter services in the UK for onshore air ambulances, lease support, lighthouse services support, pilotage and onshore pipeline surveys); and
- (b) that BAS would not for five years compete with any part of the Bond business (defined as the provision of helicopter services to the UK, Norway and Ireland offshore oil and gas industry, offshore and shoreline search and rescue, and offshore support of the military).

3.63. In addition, confidentiality and restrictive agreements were entered into between Stephen Bond and HSG and Peter Bond and HSG, which provided that the Bond brothers would not for two years compete with Bond in the provision of helicopter services to the UK offshore oil and gas industry, for UK offshore and shoreline search and rescue, and for the UK offshore support of the military.

3.64. The sale of BAS included 14 aircraft and approximately 60 staff, leaving Bond with 33 aircraft and about 520 staff. Bond subsequently sold two Eurocopter AS332L helicopters to OLOG (see paragraph 3.21). Table 3.17 shows the 12 aircraft based at Aberdeen that were retained by Bond.

TABLE 3.17 **Bond aircraft fleet, Aberdeen**

<i>Type</i>	<i>Call sign/ serial no</i>	<i>Year of manufacture</i>	<i>Status</i>
Eurocopter AS332Ls (Super Puma) Mark I	G-PUMA/2038	1983	Owned
	G-PUMB/2075	1983	Owned
	G-PUMD/2077	1983	Owned
	G-PUME/2091	1983	Owned
	G-PUMG/2018	1980	Leased
	G-PUMK/2067	1983	Leased
	G-PUML/2073	1983	Leased
Eurocopter AS332L2s (Super Puma) Mark II	G-PUMM/2477	1998	Leased
	G-PUMN/2484	1998	Leased
	G-PUMO/2467	1998	Leased
Sikorsky S76Cs	G-SSSC/760408	1993	Owned
Eurocopter 365Ns	G-BLUN/6114	1985	Owned

Source: Bond.

3.65. Tables 3.18 and 3.19 provide summaries of the last five years' published accounts of Bond.

TABLE 3.18 Bond: profit and loss accounts

	£'000				
	Year to 31.8.94	16 months ended 31.12.95	Years ended 31 December		
			1996	1997	1998
Turnover	<u>59,098</u>	<u>76,616</u>	<u>58,620</u>	<u>59,782</u>	<u>61,478</u>
Operating profit	9,251	12,723	8,494	10,521	9,199
Non-operating income	<u>852</u>	<u>1,121</u>	-	<u>245</u>	<u>790</u>
Profit before interest	10,103	13,844	8,494	10,766	9,989
Net interest paid	<u>(1,613)</u>	<u>(2,140)</u>	<u>(1,391)</u>	<u>(1,255)</u>	<u>(1,456)</u>
Profit before tax	8,490	11,704	7,103	9,511	8,533
Tax	<u>(2,624)</u>	<u>(3,119)</u>	<u>(2,176)</u>	<u>(1,509)</u>	<u>(2,538)</u>
Profit after tax	5,866	8,585	4,927	8,002	5,995
Minority interests	-	-	-	-	-
Dividends	<u>(5,002)</u>	<u>(12,000)</u>	<u>(2,000)</u>	<u>(7,000)</u>	<u>(2,000)</u>
Retained earnings/(loss)	864	(3,415)	2,927	1,002	3,995

Source: Bond.

3.66. In 1998, when BAS still formed part of Bond, £[ 8 ] million, approximately [ 8 ] per cent of Bond's revenue, came from its offshore activities on the UKCS, of which £[ 8 ] million came from the Northern Zone, and £[ 8 ] million from the Southern Zone, of the North Sea and £[ 8 ] million from its Morecambe Bay operations.

TABLE 3.19 Bond: balance sheets

	£'000				
	As at 31.8.94	As at 31 December			
		1995	1996	1997	1998
Fixed assets:					
Tangibles	54,182	49,580	53,636	51,456	50,509
Investments	<u>-</u>	<u>983</u>	<u>1,370</u>	<u>1,870</u>	<u>1,290</u>
	54,182	50,563	55,006	53,326	51,799
Current assets:					
Stock	7,360	7,867	7,541	5,384	5,174
Debtors	<u>10,698</u>	<u>12,926</u>	<u>11,562</u>	<u>13,476</u>	<u>14,025</u>
Total current assets	18,058	20,793	19,103	18,860	19,199
Creditors due within one year	<u>(13,933)</u>	<u>(10,176)</u>	<u>(13,261)</u>	<u>(11,214)</u>	<u>(11,100)</u>
Net operating assets	58,307	61,180	60,848	60,972	59,898
Net debt	<u>(24,413)</u>	<u>(23,225)</u>	<u>(19,228)</u>	<u>(20,667)</u>	<u>(15,265)</u>
Debtors less creditors due after one year	4,302	-	-	-	-
Provisions	<u>(12,205)</u>	<u>(15,379)</u>	<u>(16,117)</u>	<u>(13,800)</u>	<u>(14,131)</u>
Net assets	<u>25,991</u>	<u>22,576</u>	<u>25,503</u>	<u>26,505</u>	<u>30,502</u>
Shareholders' funds:					
Share capital	5,109	5,109	5,109	5,109	5,109
Retained earnings	<u>20,882</u>	<u>17,467</u>	<u>20,394</u>	<u>21,396</u>	<u>25,391</u>
Shareholders' funds	<u>25,991</u>	<u>22,576</u>	<u>25,503</u>	<u>26,505</u>	<u>30,500</u>

Source: Bond.

3.67. Table 3.20 shows some key financial ratios for Bond.



TABLE 3.23 **Bristow: balance sheets**

	As at 31 December			£'000
	1994	1995	1996	As at 31 March 1998
	Fixed assets:			
Tangibles	47,802	56,642	56,945	45,139
Investments	<u>707</u>	<u>2,697</u>	<u>9,394</u>	<u>5,536</u>
	48,509	59,339	66,339	50,675
Current assets:				
Stock	5,308	5,323	4,021	4,629
Debtors	<u>27,408</u>	<u>25,022</u>	<u>25,070</u>	<u>46,388</u>
Total current assets	32,716	30,346	29,091	51,018
Creditors due within one year	<u>(16,009)</u>	<u>(9,865)</u>	<u>(9,973)</u>	<u>(11,658)</u>
Net operating assets	65,215	79,819	85,457	90,035
Net debt	(7)	(5,523)	(8,579)	(3,785)
Provisions	<u>(25,140)</u>	<u>(28,285)</u>	<u>(28,227)</u>	<u>(33,774)</u>
Net assets	<u>40,069</u>	<u>46,012</u>	<u>48,651</u>	<u>52,475</u>
Shareholders' funds:				
Share capital	10	10	10	10
Retained earnings	<u>40,059</u>	<u>46,002</u>	<u>48,641</u>	<u>52,465</u>
Shareholders' funds	<u>40,069</u>	<u>46,012</u>	<u>48,651</u>	<u>52,475</u>

Source: Bristow.

3.71. Table 3.24 shows key financial ratios for Bristow.

TABLE 3.24 **Bristow key ratios**

	1994	1995	1996	1998
Operating profit as a percentage of turnover	12.4	11.7	9.5	12.3
Operating profit as a percentage of average net operating assets	21.3	19.3	14.9	22.1*
Profit before interest and tax as a percentage of average net operating assets	22.0	26.6	17.3	21.1*
Profit after tax as a percentage of average shareholders' funds	28.4	30.1	20.4	27.3*
Net debt:equity (%)	0.0	12.0	17.6	7.2
Interest cover (times)	122.2	80.9	98.7	†
Average number of employees	1,415	1,291	1,345	1,208

Source: Bristow/CC analysis.

\*15-month period.

†Interest received.

## Key ratios

3.72. Table 3.25 brings together the key ratios for the last financial year for the five companies. These are shown together for convenience, but because of variations in accounting policies and definitions the ratios may not be directly comparable.

TABLE 3.25 Key ratios

	<i>Brintel</i> 1999*	<i>Bond</i> 1998	<i>Bristow</i> 1998	<i>HSG</i> 1998	<i>CHC</i> 1999	
Operating profit as a percentage of turnover	( )	15.0	12.3	7.0	14.2	
Operating profit as a percentage of average net operating assets		15.2	17.7†	5.6	7.5	
Profit before interest and tax as a percentage of average net operating assets		✂	16.5	16.9†	6.1	23.8‡
Profit after tax as a percentage of average shareholders' funds		21.0	21.8†	5.1	36.9	
Net debt:equity (%)		50.0	7.2	23.5	139.0	
Interest cover (times)		6.9	§	2.1	5.8	
Average number of employees		543	1,208	1,919	1,002	

Source: Companies/CC analysis.

\*Based on draft, unaudited accounts subject to taxation and final adjustments.

†12-month figures pro-rated from 15-month actual period.

‡3.2 per cent excluding profit from sale of Vector Aerospace Corporation.

§Interest received.

## The effects of the merger of Brintel and Bond

3.73. CHC told us that some steps had already been taken to integrate the activities of Brintel and Bond prior to the reference of the merger to the CC. Action had been taken to reduce the duplication of personnel by offering employees the option of applying for voluntary redundancy. Brintel is now trading as Scotia Helicopter Services and, we were told, it is intended that this will become the name of the enterprise, should the merger be approved. After the reference further integration activity was suspended in accordance with undertakings given to the Secretary of State.

3.74. CHC told us that Aberdeen is the only base where Brintel and Bond both operate and so it is the only location where the merger will lead to a major rationalization and reduction in numbers of personnel. Table 3.26 shows the expected total reduction in employee numbers at Aberdeen, split between Brintel and Bond. We were told that voluntary redundancies and natural wastage would account for the majority of the departures.

TABLE 3.26 Aberdeen: expected reduction in employee numbers resulting from merger

<i>Classification</i>	<i>Bond</i>	<i>Brintel</i>	<i>Total</i>
( ) Details omitted. See note on page iv.			

Source: Brintel.

3.75. We were told that 42 employees from Bond and 14 employees from Brintel had already left the Aberdeen workforces by the end of October 1999.

3.76. CHC told us that in addition to the [ ] employees in Aberdeen, four engineering employees had left Bond from other locations by the end of October 1999 and [ ] aircrew are expected to leave Bond by March 2000 from other locations as a result of the merger, making the total of [ ] employees.

3.77. [

*Details omitted. See note on page iv.*

]

3.78. CHC's forecast of the annual savings resulting from the reduction of personnel at Brintel and Bond are shown in Table 3.27.

TABLE 3.27 Annual personnel cost savings

Classification	Number of redundancies	Estimated annual savings £'000
<i>Details omitted. See note on page iv.</i>		

Source: CHC.

3.79. CHC told us that it expected one-time redundancy cost of approximately £[ ] million.

3.80. Other non-personnel savings and one-time costs forecast by CHC to result from the merger are shown in Table 3.28.

TABLE 3.28 Forecast of non-personnel savings and one-time costs

Brintel/Bond		Other		Total		£'000
Annual savings	One-time costs	Annual savings	One-time costs	Annual savings	One-time costs	
<i>Details omitted. See note on page iv.</i>						

Source: CHC.

3.81. CHC told us that the synergies forecast arise principally from the merger of Bond and Brintel's facilities and operations at Aberdeen Airport. [

*Details omitted. See note on page iv.*

]

3.82. CHC said that the effect of the merger on the base facilities at Aberdeen would be as follows (see map of Aberdeen Airport at Appendix 3.4):

- (a) Hangars 1 and 2 (H1 and H2 on map) (currently Brintel) [ *Details omitted. See note on page iv.* ].
- (b) Hangars 3 and 5 (H3 and H5) with their maintenance areas, stores and technical administration areas (currently Bond) [*Details omitted. See note on page iv.*]. (Annual saving £[ ] .)
- (c) Hangar 4 (H4) (currently leased by Bond) [ *Details omitted. See note on page iv.* ]. (Annual saving £[ ] .)
- (d) Passenger Terminal 1 (PT1) (currently Brintel) [ *Details omitted. See note on page iv.* ]. Passenger Terminal 2 (PT2) with its offices, operational and training areas (currently Bond) [ *Details omitted. See note on page iv.* ]. (Annual saving £[ ] .)
- (e) Offices at Brintel's current complex (off map) [ *Details omitted. See note on page iv.* ].

- (f) The freight shed, apron area and car parking areas, currently part of the Bond facility on the east side of Aberdeen Airport, are leased from Aberdeen Airport Limited. [ *Details omitted. See note on page iv.* ] (Annual saving £[ *£* ].)

3.83. CHC told us that a merger between Brintel and Bond would have little effect on the numbers of aircraft in the combined fleets working offshore in the UKCS, excluding Morecambe Bay, and Danish sector of the North Sea pre- and post-merger. Table 3.29 gives details of these fleets.

TABLE 3.2 **Combined offshore aircraft fleet in the UKCS, excluding Morecambe Bay, and Danish sector of the North Sea**

<i>Aircraft type</i>	<i>Bond</i>	<i>Brintel</i>	<i>Total</i>	<i>Post-merger</i>
AS332L	9	10	19	17
AS332L2	3	-	3	3
S61	-	3	3	3
S76A+	3	2	5	5
S76C	3	-	3	3
AS365N	1	-	1	1
AS365N2	3	-	3	3
Total	22	15	37	35

Source: Brintel.

3.84. The Bond figures in Table 3.29 include two A332Ls (Super Pumas Mark I) that were originally owned by Bond. These aircraft were sold as they were surplus to requirements and leased back to Bond on short-term operating leases (less than 30 days). These leases have now ended and the aircraft have been returned to the new owner. The current position is therefore that shown as the post-merger position.