

*Case No IV/M.112 -
EDS / SD SCICON*

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 17.07.1991

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PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

Registered letter with advice
of delivery

To : notifying parties

Dear Sirs,

Subject: Case No. IV/M.112 - EDS / SD Scicon

I. The parties

SD-Scicon is a systems and software services company, based in the UK, with its operations centred in the UK and France. In these countries SD-Scicon's principal activities are systems integration, facilities management, processing services, consultancy, software products and software development services. In the United States SD-Scicon owns a company which operates in the vehicle inspection business, operating road vehicle emission inspection and safety testing facilities for state authorities⁽¹⁾.

EDS is a US-based multi-national IT Services company. It has offices in all Member States, except Greece. EDS provides systems management, systems integration, systems development and consulting services.

EDS is a wholly-owned subsidiary of General Motors Corporation. General Motors has no other controlling interests in IT services companies aside from EDS.

⁽¹⁾ These operations are immaterial for the purposes of the present analysis.

II. Concentration with a Community dimension

General Motors' worldwide turnover in 1990 was 97.93 billion ECU of which more than 250 million was in the Community.

SD-Scicon had a worldwide turnover of 359 million ECU in 1990 of which over 250 million ECU was in the Community.

The two undertakings concerned did not, in 1990, achieve more than two-thirds of their aggregate Community-wide turnover in one and the same Member State.

III. Assessment

Market definition within the IT services sector is particularly difficult. The boundaries between the various categories and sub-categories of such services are blurred. The ability to provide one service often leads to the ability to provide another. The skills necessary to undertake contracts in the various categories are similar.

In the context of the present notification, it is unnecessary to reach a final conclusion on the question of product and geographic reference market definition. The Commission has examined the effect of the operation on the market as a whole as well as on sub-markets and has reached the conclusion that irrespective of market definition the notified concentration will not create or strengthen a dominant position as a result of which effective competition would be significantly impeded.

The overall IT Services market is very fragmented. No company has a market share exceeding 10% with the 5 largest companies (IBM, CAP Gemini Sogeti, Reuters, Siemens and Bull) having a combined market share of less than 16%. Over 100 companies are active on the market.

This general market can be divided into the following market segments:

1. Systems management/Systems operation: the management, maintenance and operation of an existing system for a client.
2. Systems integration: this includes the integration of existing systems by means of the development and installation of custom software for clients. Some statistics include within this category the supply and installation of new systems (systems development).
3. Pure consulting: this frequently precedes the other activities and may take the form of advice on the best way to address a business problem, including some form of computerisation.
4. Processing services: this involves the "contracting out" of certain data processing needs. A number of different industries use such services, particularly banking, insurance etc.

If these were accepted to be relevant markets, a combined EDS/SD-Scicon group would have a market share of less than 10% in Western Europe for all markets except systems operation, in which it would have 13% of a fragmented market.

EDS argues that markets are national and not Community-wide. If this is accepted, the merged group would have the following market shares of 10% or more:

- | | |
|----------------------------|-----|
| - UK systems integration | 10% |
| - UK systems operation | 14% |
| - French systems operation | 16% |

An alternative classification might be to examine the service sector according to the clients served. INPOUT, a source of market data for this industry defines the following three categories, which require skills on behalf of the service supplier that are often interchangeable within these categories:

- banking and finance
- discrete manufacturing (manufacturing from sub-assemblies rather than raw materials)
- process manufacturing (manufacturing from raw materials or commodities).

If the market for IT services was so divided, the combined group would have less than 10% in any of the sectors in the EEC, France or the UK.

A market might also be defined more narrowly according to the industry purchasing the services. EDS does not divide its operations in such a manner, and no public data has been identified in this respect. However, even if such a definition was adopted, there are no indications leading to the suspicion that EDS/SD-Scicon would have a dominant position in any market.

IV. Conclusion

The effect of the concentration on a number of different markets has been examined. This analysis leads to the conclusion that the following characteristics apply to all feasible product and geographic market definitions:

- the markets are fragmented,
- barriers to entry are low: in essence, the only requirement to enter the market is technically qualified personnel,
- high degree of supply-side substitutability between the various submarket categorisations,
- there is often demand-side substitutability between different suppliers,
- low market shares of a combined EDS/SD-Scicon group.

These characteristics lead to the conclusion that the operation will not create or reinforce a dominant position as a result of which competition is significantly impeded.

For these reasons, the Commission has decided not to oppose the notified concentration and to declare it compatible with the common market. This decision is adopted in application of Article 6(1)b of Council Regulation N° 4064/89.

For the Commission