

***Case No IV/M.1476 -  
ADECCO / DELPHI***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 26/03/1999

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26. 03. 1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sir, dear Madam,

**Subject: Case No IV/M.1476 – ADECCO / DELPHI**

Notification of 25.02.1999 pursuant to Article 4 of Council Regulation No 4064/89

**I. THE PARTIES AND THE OPERATION**

1. The case was notified on 25.02.1999. The proposed operation consists of the acquisition of full control by Adecco S.A. of Delphi Group PLC by a public bid, published on 12.02.1999. The acquisition will be carried out through Adecco's wholly owned subsidiary Adecco UK IT Holdings.
2. Adecco is a Swiss company active in the supply of temporary staff through employment agencies, placement in mainstream clerical and industrial areas and in specialist areas such as accounting, information technology (« IT ») and engineering, placement of permanent employees, outsourcing, provision of IT services, training and outplacement counselling. It is active in most Member States within the EEA.
3. Delphi is an U.K. company active in the sector of professional services to computer users in IT, including staffing, training and consultancy and mainly active in the U.K.

**II. CONCENTRATION**

4. The transaction, involving the acquisition of control by Adecco over Delphi, through the acquisition of the entire issued and to be issued share capital of Delphi is a concentration within the meaning of article 3(1) (b) of the Merger Regulation.

### III. COMMUNITY DIMENSION

5. The combined aggregate worldwide turnover of the undertakings concerned exceeds EUR 5 000 million; in financial year 1997: 6,954 million ECU for Adecco and 400 million ECU for Delphi. The aggregate Community wide turnover of each party exceeds EUR 250 million; [...] million ECU for Adecco and [...] million ECU for Delphi. They do not both of them achieve more than two-thirds of their 1997 turnover in one and the same Member State. The operation has therefore a Community dimension.

### IV. THE RELEVANT MARKETS

#### A. Relevant product markets

6. In previous decisions in this sector (M.765, Addia/Ecco and M.879, Vendex)<sup>1</sup> the Commission concluded that the relevant market was the market for the provision of temporary employment services to undertakings. Within this market a very large number of firms operate in supplying workers to undertakings that use such firms to manage part of their human resources function by temporary staff.
7. Based on the submissions so far received from some third parties it is however not excluded that a narrower product market must be considered, namely a market for the temporary employment services in the information technology sector. This narrower definition would seem justified in view of the specific skills required from the staff and the substantial premium in the rates charged by the agencies to their customers for this category of workers (hourly rate charged by one of the parties in the UK is 51.54 Euros against 10.99 Euros for general temporary staff placement).
8. From a supply side point of view it is to be noted that some firms specialise in providing certain types of employees (eg. provision of temporary secretaries, engineers, (para)legal and (para)medical personnel and accountants). It is possible that more and more temporary employment services firms do and will seek to specialise, although customers can still get a broad range of different types of employees from the same temporary

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<sup>1</sup> Case IV/M.765,OJ C 226/15,3.8.96 (Adia/Ecco)and Case IV/M.879,OJ C 162/3,29.5.97(Vendex(Vedior)/BIS.

employment services firm. Furthermore, most firms could probably within a short time extend their range of types of employees if necessary.

9. In addition, even new firms specialising in placing workers with specific skill profiles do not appear to find barriers to entry into such narrower market. In view of the low market shares of the parties in temporary employment services in the IT area, it is, however, not necessary to further define the product market as being narrower than the market for the provision of general temporary employment services.

B. Relevant geographic market

10. Although smaller firms on this market tend to operate on a local or regional basis, basically all larger firms operate throughout the national market.
11. In spite of the fact that, in general, there may be a strong tendency towards contracts and consolidation of temporary employment firms at an international level, the relevant geographic market is however not wider than national. This geographic definition is suggested by several factors such as language differences, personal preferences regarding relocation and differing legal and regulatory regimes between Member States<sup>2</sup>. For the IT sector, however, some of these factors may be less important because nearly all IT personnel are familiar with the English language (which is almost *lingua franca* in this sector), and because they are more qualified and thus command higher salaries compared to the general temporary office staff.

In any event, for the purpose of this decision it is not necessary to decide whether the geographic market may be wider than national for IT staffing services, because even in the narrower geographic market definition, the operation would not raise serious doubts as to its compatibility with the common market.

V. ASSESSMENT

12. Employing the definition of a market for the provision of temporary employment services in general, the only market affected by the operation is the French market, where Adecco's market share is [between 20 and 30%]; however the incremental market share of Delphi in France is [between 0 and 5%]. In view of this very small addition in market share, it is very unlikely that the concentration would lead to the creation or strengthening of a dominant position on that market, especially in view of the presence of another strong competitor, also active on a global scale, Manpower, with a [...] share, and Vedior, with [...], along with a number of smaller competitors.
13. As the new company's market share will not exceed [...] [will be between 20 and 30 %] and where other strong competitors are present on the market, which is characterized by

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<sup>2</sup> See footnote 1

growth and low entry barriers, it may be concluded that the operation does not raise doubts as to its compatibility with the common market.

14. Even employing a narrower definition of the product market, i.e. the market of provision of temporary employment services by placement of specialists in the IT sector, there would only be an overlap between the parties on the U.K. market. However, according to the parties, their [5 - 10%] combined market share would not result in an affected market, Delphi having at the most [5 - 10%] and Adecco around [0 - 5 %] market share.
15. The responses from third parties appear to confirm that the notifying parties have such a rather low market share that the UK market for temporary IT services would not constitute an affected market. Third parties insist, moreover, on the absence of real barriers to entry.

## VI. CONCLUSION

16. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,