

*Case No COMP/M.1994 -
ANDERSEN
CONSULTING / BT / JV*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/07/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.07.2000
SG(2000)/D 105593

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties

Dear Sirs,

Subject: Case No COMP/M.1994 – Andersen Consulting/BT/JV

Notification of 28.6.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On **28.06.2000**, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which British Telecommunications plc (“BT”) and Andersen Consulting (“AC”) acquire within the meaning of Article 3(1)(b) of the Council Regulation joint control of a newly created joint venture “*e-peopleserve*”. The company will be owned by the parties in equal shares of 50% each.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. British Telecommunications plc is active in the supply of telecommunications services and equipment, principally in the UK. AC is a management and technology consulting firm.
4. *e-peopleserve* will provide a full range of operational and transactional human resources services (e.g. recruitment, training, administration and pensions services) using advanced information technology to corporate customers and other organisations. The parent companies will be *e-peopleserve*'s first customers.
5. *e-peopleserve* will be jointly controlled by BT and AC. Furthermore, the joint venture will perform on a lasting basis all the functions of an autonomous economic entity. It is therefore a full function joint venture within the meaning of the Merger Regulation and the

transaction therefore constitutes a concentration within the meaning of Article 3(1)b of the Merger Regulation.

II. COMMUNITY DIMENSION

6. For the purposes of calculation of the relevant turnover according to Article 1, paragraph 2 and 3 of the Council Regulation (EEC) No 4064/89 (Merger Regulation) the network of partnerships which form the Andersen Consulting organisation can be regarded as a single economic entity.¹
7. BT and AC have a combined aggregate worldwide turnover in excess of EUR 5,000 million² (BT: EUR 36,443 million; and AC: EUR 8,837 million). Each of them has a Community-wide turnover in excess of EUR 250 million (BT: EUR [...]; and AC: EUR [...]), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension, but does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

III. COMPETITIVE ASSESSMENT

A. Relevant product market(s)

8. The notifying parties state that there is a relevant product market for operational and transactional human resources (“HR”) services and that this is distinct from HR policy and strategy on the one hand and individual component services on the other. Such a market would embrace services covering the entire employment lifecycle, including personnel recruitment, training, administration, performance assessment and payroll services, etc..
9. However, whether there is a separate market or markets for operational and transactional HR services, and if so, what are the precise boundaries of this market or these markets, can be left open since the concentration would not create or strengthen a dominant positions on any of these possible markets.

B. Relevant geographic market(s)

10. The notifying parties state that the relevant geographic market is world-wide. They submit that the relevant services are likely to be provided to larger businesses, most of which will operate internationally and will demand such services on a worldwide basis for their global workforces. Due to the fact that the market is in its infancy in areas other than the US, the first market entrants (one of which will be *e-peopleserve*) have launched their services in either the US or the UK, which seems to lead other Member States by some 3 years.

¹ see also Price Waterhouse/Coopers & Lybrand 1999 OJ L50, p.27

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

11. It is not necessary to further delineate the relevant geographic markets because, even if the market is defined at its narrowest (the UK), effective competition would not be significantly impeded in the EEA or any substantial part of that area.

C. Assessment

12. Neither party is an existing player on the market for HR-services, thus there will be no addition of market shares, but the merger establishes a new entrant to the market. *e-peopleserve* will compete with a US-based company, Exult, PricewaterhouseCoopers also has recently announced its entry into the market, as has Xchanging, a London-based start-up company. This range of recent entry indicates both that the barriers to entry are low and that there is a growing demand for these services.
13. There are also a number of well established players offering component operational and transactional HR services, who can at least partly substitute the services provided by *e-peopleserve*. In addition, potential customers could continue to carry out the HR functions in house.
14. In view of the above, the notified operation will have no negative impact on competition however the market or market(s) are defined. Consequently, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

V. CONCLUSION

15. 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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,

Mario MONTI,
Member of the Commission