

***Case No COMP/M.2365 -
SCHLUMBERGER /
SEMA***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 05/04/2001

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05.04.2001

SG (2001) /D 287511

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Subject: Case No COMP/M.2365-SCHLUMBERGER/SEMA

Notification of 05.03.2001 pursuant to Article 4 of Council Regulation No 4064/89

1. On 05.03.2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the undertaking Schlumberger Limited ("Schlumberger") acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Sema plc ("Sema") by way of public bid announced on 12.02.2001.
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. Schlumberger is a USA-based company active in three main business segments: (i) oilfield services, consisting of the supply of products and services relative to petroleum and natural gas reservoirs (such as seismic assessment services, drilling equipment or data management services); (ii) resource management services, consisting of the provision of business services to public utilities through the deployment and management of metering equipment and the collection and processing of the data measured by those meters; and (iii) manufacture of smart cards and semiconductor equipment, and provision of solutions based upon that equipment.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

4. Sema is a UK-based information technology and business services company, offering a wide range of software products and services to telecommunication, transport or public service operators, or banks and financial institutions.
5. The operation concerns the acquisition by Schlumberger of sole control of Sema, through a public offer for the whole of Sema's issued share capital launched on 12.02.2001. It is therefore a concentration within the meaning of Article 3(1)b of the Council Regulation.

II. COMMUNITY DIMENSION

6. Schlumberger and Sema have a combined aggregate worldwide turnover in excess of EUR 5,000 million (Schlumberger, EUR 10,402 million; and Sema, EUR 2,483 million). Each of them has a Community-wide turnover in excess of EUR 250 million (Schlumberger, EUR [...]; and Sema, [...]), 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. It does not constitute a cooperation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

III. COMPETITIVE ASSESSMENT

A. Relevant product markets

7. Both Schlumberger and Sema have activities in information technology ("IT") products and services. Referring to previous Commission decisions² in that sector, the notifying party submits that this sector can be categorised as follows:
 - (1) software and IT services constitute separate product markets;
 - (2) within software, a distinction can be made between system software and application software; and application software can be segmented into narrower sub-markets for (i) management and business software, (ii) standard applications (which may also be customised to suit particular requirements), (iii) education and training, (iv) data warehousing and (v) industrial automation;
 - (3) IT services may be broken down into narrower market definitions for (i) hardware maintenance, (ii) software maintenance and support, (iii) consulting; (iv) development and integration; (v) IT management services; (vi) business management services; and (vii) education and training.
8. However, it is not necessary to further delineate the relevant product markets because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

² See, e.g., case COMP/M.2024-Invensys/Baan

B. Relevant geographic markets

9. Referring to the same previous Commission decisions, the notifying party also submits that the relevant geographic markets for software are at least EEA-wide, because it is easy to find relevant distribution channels and to adjust products to countries with a specific character set or language.
10. Schlumberger considers that the markets for IT services are also at least EEA-wide. In particular, while recognising that such markets are subject to requirements for nationally customised solutions according to language and local business peculiarities, the notifying party considers that (i) the increasing globalisation of supply and demand, (ii) the centralisation of contract negotiations and IT management, (iii) the use of English as the lingua franca for IT applications, and (iv) the use of the Internet enabling companies to operate from remote bases, all indicate a widening of the markets for IT services.
11. However, it is not necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

C. Assessment

Horizontal effects

12. Based on the above product market definitions, the operation would lead to minor overlaps in standard application software, software maintenance and support, consulting, development and integration, IT management services, and integration and training. However, in none of the markets above would Sema and Schlumberger's combined market shares exceed 15%, either at national, EEA or global level.
13. Furthermore, a vast majority of third parties indicated that, although Sema and Schlumberger have each activities in software and IT services, the type of software or IT services provided by Sema usually differs markedly from the type of software or IT service provided by Schlumberger. Broadly speaking, Sema is a typical IT product and service company supplying a broad range of "standard" business supporting products and services (such as customer care and billing systems, system integration services or information management services); while Schlumberger's IT activities have largely been developed as an extension of the products it supplies (smart cards, meters, etc.), and are therefore much more focused within a narrow range of specialist products and services meeting specific needs of Schlumberger's traditional customer base (such as application software relative to seismic and geological data interpretation of oil and gas reservoirs, or to smart card secure payment systems).
14. It follows that, should software and IT services be segmented into narrower product market definitions, the parties' activities would not lead to any overlap with the exception of Over

The Air Communication software (OTAC³). Both Schlumberger and Sema offer these products to telecommunication operators, but they have only sold to [15-25] operators (out of a total of 350 operators) worldwide, and to [1-10] customers (out of a total of 60 operators) in the EEA).

Vertical and conglomerate effects

15. Although Schlumberger and Sema usually do not offer similar IT products and services, they both have developed specialised applications for certain industrial sectors (the oil and gas industry, public utilities, telecommunications and the banking sector). Furthermore, it appears that, in some of these sectors, certain of Sema or Schlumberger's products may be upstream or downstream of (or complement to) each other's activities. For instance, in the banking industry Schlumberger's credit card activities may be considered to be upstream of Sema's payment system software products (managing credit card payment operations).
16. However, the results of the Commission's investigation indicate that the operation presents no risks of vertical foreclosure or conglomerate effects (such as bundled offers, etc.) to such an extent as to create competition concerns. In particular, a vast majority of customers and competitors indicated that having activities at a given layer of service (e.g. cards) would not enable the merged entity to push its own products at another layer (e.g. pre paid account systems), because (i) the procuring department of customers typically differs for the various layers concerned, (ii) the solutions developed by Schlumberger and Sema are technologically independent (so that suppliers at one level cannot push their products at another level through proprietary interfaces). In any event, a vast majority of third parties indicated that the parties would remain subject to sufficient competition at each of the layers concerned.
17. In the light of the above, it is concluded that the notified operation 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.

IV. CONCLUSION

18. 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
(signed)

³ OTAC is a type of software used in the telecommunication industry to enable the remote downloading of applications over the Short Message Service network from a mobile telecommunication operator to the handset of an individual subscriber. A typical use of OTAC would be the provision of share price or travel information to mobile phone subscribers.