

***Case No COMP/M.2609 -
HP / COMPAQ***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 31/01/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31/01/2002

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PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party.

Dear Sir/Madam,

**Subject: Case No COMP/M.2609 – HP / Compaq
Notification of 20.12.2001 pursuant to Article 4 of Council Regulation
No 4064/89**

1. On 20.12.2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the US undertaking Hewlett-Packard Company (“HP”) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the US undertaking Compaq Computer Corporation (“Compaq”) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that the concentration does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.

I. THE PARTIES

3. HP is a global provider of computing hardware (including personal computers, handheld information devices, workstations, servers and storage solutions), imaging solutions (including printers), software and services
4. Compaq is a global provider of enterprise technology and solutions. Compaq designs, develops, manufactures and markets hardware (including personal computers, handheld information devices, workstations, servers and storage solutions), software and services.

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).

II. THE OPERATION AND THE CONCENTRATION

5. The notified operation consists of the acquisition by HP of the sole control over the whole of Compaq. As a result of the operation, Compaq will become a subsidiary of HP. The operation therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 Bio (EUR 51,4 Bio for HP and EUR 46,1 Bio for Compaq in 2000)². Each of HP and Compaq have a Community-wide turnover in excess of EUR 250 million (EUR 14,8 Bio for HP and EUR 12,4 Bio for Compaq in 2000), 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 co-operation case under the EEA Agreement.

IV. COMPATIBILITY WITH THE COMMON MARKET

A. RELEVANT PRODUCT AND GEOGRAPHIC MARKETS

7. Both parties are global providers of computing and imaging solutions and services. The merged entity will consist of a EUR [...] Bio "Imaging & Printing" division, a EUR [...] Bio "PC & Access Devices" business, a EUR [...] Bio "Information Technology ("IT") Infrastructure" business, encompassing servers, storage and software and a EUR [...] Bio "Services" business. The concentration will lead to horizontal overlaps in the markets for access devices, servers, storage solutions and services and, to a much lesser extent, on printers.

Access Devices Markets

8. While the parties submit that personal computers ("PC"), workstations and handheld information devices ("HID") are all access devices that can be considered as constituting one market, the notification nevertheless addresses access devices distinguishing between PCs (including workstations and laptop or notebook or portable PCs) and HIDs.
9. While the market investigation has indicated that the HIDs can be considered as a market separate from PCs, it did not conclude on the existence of distinct markets within the PC market.
10. **Personal computers** are general purpose, single user computer systems³. While desktops are stand-alone computers of which the use is usually restricted to a fixed place, laptops are compact computers with an integrated keyboard, a flat screen, a large

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.

³ The vast majority of PCs are Intel-compatible PCs. As such, they are designed to function with an Intel microprocessor or with an Intel-compatible microprocessor produced by another firm. PCs which have a non-Intel-compatible microprocessor - examples are the Macintosh or the iMac manufactured by Apple - constitute the remainder of the market.

storage hard disk, a battery and are designed for either private or commercial mobile users, and, as such, are highly transportable. Laptops are now generally considered to offer comparable performance to desktops.

11. The parties have argued that the basic components as well as the respective performances of these two types of products are very similar. In addition, the parties submitted that the price premium that has historically been paid for a laptop computer over its desktop equivalent is increasingly reducing and would even result in laptop sales growing at the expense of the desktop deliveries.
12. The results of the Commission's market investigation confirmed many of the points raised by the parties. Furthermore, the investigation also confirmed the fact that the presence of a significant proportion of PC suppliers in the two product segments can be considered as an element that could favour a quick shift in production and/or supply to meet changing conditions in any particular product segment. In addition the results of the market investigation revealed that the growing importance of the direct distribution channel through prominent suppliers such as Dell Computers is increasingly considered by customers as a reliable alternative source of supply and, as such, should be considered together with the traditional indirect distribution channel as part of an integrated market place.
13. Notwithstanding the above, the results of the market investigation support a delineation of the PC market according to the end-customer category. Because, among other elements, individual consumers show different purchasing patterns, product requirements and use of their equipment from business customers, the market for PCs could be broken down between consumers and commercial customers.
14. Regarding the geographic scope of the PC market, the results of the Commission's investigation have confirmed that the relevant geographic PC market should be considered as at least EEA-wide since transport costs are small relative to price, products show similar specifications, many significant PC suppliers have activities in all Member-States and in all product segments, and PC suppliers charge similar prices across Member-States.
15. For the purpose of the present case, the exact product market definition can however be left open as, on the basis of any possible product market definition, the proposed transaction will not generate any competition problems.
16. **Workstations** are categorised by the parties as being part of the PC markets since the technological evolution of the PC has outdated the once existing performance, networking and graphics capability differences that characterised workstations in the 1980's. The market investigation has however indicated that workstations are still perceived by the customers as a distinct market and such limitations on demand-side substitutability are supported by the parties' marketing and pricing policy. However, and particularly with regard to Intel/Windows based workstations⁴, there is significant supply-side substitutability as explained above with regard to PCs. The diminishing relevance of the distinction between high-end PCs and workstations is reflected in the

⁴ The technological evolution has less affected the existence of a potential separate, however rapidly decreasing, market for Unix based workstations for which Compaq has no presence in the market.

highly volatile evolution of market shares as OEMs are not consistent in what they market as PCs or workstations.

17. Given that the geographical workstation market definition follows that of PCs, the exact product market definition can be left open, as even on the basis of any possible product market definition, the concentration will not create any competition concern.
18. **Handheld Information Devices** are highly portable handheld computing devices capable of handling data relating to tasks ranging from computerised calendars to word-processing and communication. The market investigation has not provided a clear-cut definition as HIDs are an emerging market in which mobile phones with computing capabilities, Personal Digital Assistants (“PDA”) and PC companions all exist as ultra-portable access devices. As the operation only leads to overlaps in the PDA segment for which the market investigation did not reveal any significant competitive concerns, the market definition can be left open.

Markets for Servers

19. A **Server** is a dedicated computer attached to a network that inter-operates with the network’s administrative software to manage the network’s various resources, such as PCs and workstations, printers and disk drives.
20. The parties have argued that all servers constitute one market but have considered alternative market definitions based on price and platform (hardware architecture and operating system). The market investigation has confirmed the approach of previous Commission decisions⁵ to delineate the server markets on the basis of price bands into separate markets for entry-level servers (below USD 100.000), medium level servers (USD 100.000 – USD 999.999) and large servers (above USD 1.000.000). Although this market definition cannot fully capture all competitive interactions in the technologically highly dynamic server market, alternative market definitions capture the market dynamics to a much lesser degree. As such, it is not relevant to sub-divide the server market according to the operating system (“OS”) as, particularly in the case of entry level servers, the customer can choose between a number of OSs such as Microsoft Windows NT, Linux or Unix.
21. The price bands serve as proxies which reflect the different functionalities offered by entry-level servers as opposed to medium level and large servers. In this respect, entry-level servers are generally used for basic network functions such as file and print services and authentication. In contrast, medium level and large servers, which offer a significantly higher degree of system availability and fault tolerance, are used for more specific mission-critical applications.
22. As the parties’ presence in the medium and large server segment is relatively weak and complementary rather than overlapping, the market investigation has focused on servers within a price band below USD 100.000. These entry-level servers generally do not compete with mid-range and large servers for the reasons outlined in the previous paragraph. Naturally, there may be some competition at the margin based on price, functionality and performance between servers at the very top price segment of the entry-level server market and the very bottom price segment of the medium level server

⁵ See e.g., Case No. IV/JV. 22 Fujitsu/Siemens and Case No IV/M. 1120 Compaq/Digital.

market. However, the price band of USD 100.000 provides the best proxy to capture the general differences in functionalities offered by entry-level and mid-level servers. It is worth noting that as technology evolves, this price band may be lower in the future. The market investigation has also indicated that entry level servers cannot be reasonably further broken down into narrower markets according to the applications they serve, as entry level servers are predominantly general purpose servers. In any case, it is not necessary to decide on 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.

23. The notifying parties state that the relevant geographic markets for all affected product markets are EEA-wide or possibly worldwide given the small transport costs relative to price, the similarity of consumer preferences, product specifications and patterns of sales of most major manufacturers throughout EEA countries. In line with previous decisions, the relevant geographic market for servers appears to be at least EEA-wide.

Markets for storage solutions

24. Computer storage is the holding of data in an electromagnetic form for access by a single or multiple computer processors. Potential separate storage markets can be identified according to the storage media used, as such distinguishing between disk, optical and tape. As the concentration will only lead to important overlaps on the disk storage markets and does not raise competition concerns with respect to disk storage markets, it is not necessary to conclude whether these would constitute separate markets.
25. Disk storage solutions can take various forms. Storage can be directly attached to the server (“DAS”) or be served through advanced network based storage solutions such as Network Attached Storage (“NAS”) and Storage Area Networks (“SAN”). Although all these solutions seek to meet the customer’s storage needs, there are important technical and price differences, as such limiting both supply- and demand-side substitutability. HP and Compaq both have relatively limited strengths in NAS and SAN. Even if based on the narrowest possible definition, i.e. DAS, the concentration would not create any competition concerns. The geographical market definition follows that of servers and appears to be at least EEA-wide.

Markets for services

26. In previous decisions⁶, the Commission has broken down the market for IT services into seven segments that can be considered as relevant product markets: (1) Hardware maintenance, (2) Software maintenance and support, (3) Consulting, (4) Development integration, (5) IT management services, (6) Business management services and (7) Education and training. Such delineation can be maintained although both customers and competitors have confirmed that that the exact limits of the defined service categories are gradually becoming indistinct as customers are increasingly procuring full package services (one stop shopping). Due to the fast technology changes in the IT sector, the already high degree of supply side substitutability is further facilitated. In any event, it is not necessary to further define this market because in all alternative market definitions considered, the concentration would not create any competition concerns in the EEA or

⁶ Case No IV/M. 1561 - Getronics/Wang, Case No COMP/M. 1901 – Cap Gemini/Ernst & Young.

any substantial part of it. Regardless of the strong trend towards internationalisation of the IT services market, the geographical market can be left open, as even on a national basis the concentration will not lead to competition concerns.

B. COMPETITIVE ASSESSMENT

PCs

27. Both HP and Compaq have activities in the EEA in the supply of PCs as defined above. The parties offer PCs for both consumer and commercial use. The parties have indicated that HP currently makes [...] % of its EEA sales to commercial customers through various indirect channels (intermediaries) and [...] for its EEA sales to consumers. Similarly, according to the parties, [...] % of Compaq's EEA sales of PC products are made through various indirect channels. Sales to consumers are [...], while only [...] % of Compaq's EEA-wide sales are made through direct sales to end customers (primarily large commercial accounts).
28. The PC industry can be characterised as very competitive with HP and Compaq facing competition not only from established full line suppliers (i.e. at least desktops and laptops) including Acer, Dell, Fujitsu-Siemens, IBM and NEC-Packard Bell or established players like Toshiba who focus on a particular product line (such as notebooks) but also from low-cost, local brands such as Vobis, Actebis or Gericom among others.
29. Entry and expansion in the commoditised PC market are facilitated by the widespread availability of contract manufacturers who produce and assemble PC components. HP, Compaq and other leading PC vendors already rely extensively on these suppliers. The parties have further argued that Intel provides standards that can be used by any manufacturer to produce computer with minimal R&D expenditure. By doing so, Intel can support smaller players and new entrants thereby contributing to the downstream market remaining competitive.
30. Against that background, the combination of HP and Compaq's PC activities in the EEA result in an overall market share of around [20% - 25%] (in value for the full year 2000) with competitors such as Fujitsu-Siemens, Dell and IBM respectively showing shares of [10% - 15%], [10% - 15%] and [5% - 10%].
31. Should consumer and commercial markets be distinguished at an EEA-wide level, the merged entity would reach a market share of around [15% - 20%] (based on 2000 figures in values) to consumers (all sales channels included) with Fujitsu-Siemens ([10% - 15%]), NEC ([10% - 15%]) and Dell ([0% - 5%]) as the major individual competitors and around [25% - 30%] to corporate customers (based on 2000 figures in values) but followed by a similar series of strong and well established competitors such as Dell ([10% - 15%]), IBM ([10% - 15%]) and Fujitsu-Siemens ([5% - 10%]).
32. While the merged entity will enjoy a relatively strong retail presence in some Member-States, the results of the investigation have confirmed that the general market dynamics together with the presence of a sufficient number of smaller in share but nevertheless reliable alternative suppliers as well as the practice of non-exclusive contractual relationships between retailers and OEMs would prevent the merged entity from engaging in anti-competitive practices likely to harm competitors and consumers.

33. Consequently, both the number of competitors and their respective size and resources together with the very competitive nature of that market and its low barriers to entry lead to the conclusion that, as far as PCs are concerned, the proposed transaction is not likely to raise any serious doubts about its compatibility with the Common Market.
34. Finally, given HP's leading position in the printers market and the merged entity's increased retail presence in PCs, the Commission has investigated whether the increase opportunity for joint PC/prINTER sales could confer the new HP with the possibility to strengthen its position on the printers market.
35. The results of the market investigation has indicated that, due to, inter alia, the merged entity's moderate share of the relevant PC market and the limited impact that joint PC/prINTER sales could have on the new HP's printer market share, the Commission concluded that the proposed transaction was not likely to give HP the ability to foreclose competition from the market for printers.

Workstations

36. Workstations are targeted at the sophisticated users of technical computing and constitute a niche market with sales volumes that are only a fraction of PC sales. As such, considering workstations as part of a broader PC market would not significantly affect the parties' positions. When analysed as a distinct market for Intel/Windows based workstations, the new HP would be the clear market leader with around [45% - 50%], followed by Dell ([20% - 25%]), IBM ([10% - 15%]), Fujitsu-Siemens ([10% - 15%]) and a number of smaller competitors. However, as indicated with regard to product market definition, the significance of market shares is limited as vendors do not consistently qualify their products as workstations. In addition, even when considered as a separate market, Intel/Windows workstations do face a certain degree of competition from both Unix workstations and high-end PCs. As reflected in the dramatic market share increase of Dell, the barriers to entry and expansion are limited and mostly related to brand awareness. Competition in the Intel/Windows workstation environment is not driven by technological advantages but, as in the PC markets, by a commodity business model. Any attempt of the merged entity to act independently from the market could as such be countered by HP's competitors.

PDA's

37. As indicated above, the parties' offering for HIDs is limited to PDA's, which are an emerging market on which the major IT and electronics OEMs are launching new products, mainly around two operating systems, the Microsoft Pocket PC OS and the Palm OS⁷. The competitive analysis was thus made on the basis of narrowest possible market, i.e. PDA's running the Microsoft Pocket PC operating system.

⁷ Alternative operating systems are Symbian, Sharp and Apple.

38. Although both HP and Compaq have highly successful offerings based on Microsoft's OS, the market investigation suggests that any market leading position is temporary as PDAs have a very short technological lifecycle. Such has been reflected in the extreme volatility, even on a quarterly basis, of the market shares. Compaq currently (third quarter 2001) has a leading position of [60% - 65%] with the iPaq, followed by HP with the Jornada ([25% - 30%]), and Casio ([5% - 10%]). Barriers to entry are low as components are readily available from different sources, manufacturing is generally outsourced and Microsoft has every incentive to attract as many OEMs as possible to operate its OS. Credible competitors such as Toshiba, NEC and Acer have announced future launches of PDAs. Other than brand recognition and the parties' strong position in related access devices, the market investigation has indicated that there are no structural elements that would allow a the merged entity to consolidate its current position.

Servers

39. For entry-level servers, the combined entity would hold a leading position of around [40% - 45%] in a relatively concentrated market, with the six leading players (Compaq [25% - 30%], HP [15% - 20%], IBM [15% - 20%], Dell [5% - 10%], Sun [10% - 15%] and Fujitsu-Siemens [5% - 10%]) accounting for [85% - 90%] of the market. The market investigation has however indicated that such a high market share is not a proxy for market power in this technologically rapidly evolving server market. Over the past five years, HP's and Compaq's market shares have been highly volatile, whilst Dell has continuously gained market share and has doubled its sales over the past three years. Dell, which enjoys substantial cost advantages derived from its built-to-order direct distribution model, is considered by the market as a dynamic and price aggressive competitor with reliable and technologically advanced offerings. Dell's limited service capabilities are compensated through alliances made with EDS and Unisys. Dell is further offering advanced technical solutions through marketing alliances made with technology providers such as Unisys.
40. IBM is perceived by the market as a strong and dynamic competitive force, aggressively striving to increase its market share, introducing innovative multi-platform products, and leveraging its strengths in services and software. Sun, the leading Unix-based server supplier, has consistently held a 10%+ market share by marketing its SPARC/Solaris servers across the spectrum of entry-level and mid-range servers. Although Sun is increasingly targeting the entry-level server market, market investigation has however indicated that Sun's competitive pressure in this market is likely to be focussed on the upper-end of the entry-level products. Fujitsu-Siemens' presence is mainly limited to the EEA and has historically maintained leading positions in Germany and Austria. It offers a full line of entry-level servers with technologically advanced products based on Sun's SPARC/Solaris platform. Other than being a viable and dynamic competitor by itself, Fujitsu-Siemens has technological and distribution capabilities through the other Fujitsu-owned server companies, such as ICL and Amdahl. Other competitors such as NEC/Bull, NCR, Unisys, Toshiba, Hitachi and Acer have the capabilities to respond to any price increase in the market.
41. Although white box manufacturers suffer from a lack of brand recognition, these players do exert some competitive pressure in the low-end of the entry-level server markets, and this is driven by the active support of Intel. The existence of white box manufacturers illustrates that this part of the market is increasingly becoming commoditised and that entry barriers are relatively low as components and production capacity are freely available. The incentives and ability that standard server building block suppliers, such

as Intel and Microsoft, have to maintain strong competition between downstream hardware manufacturers, is an effective driver for competition and limits the buyer power of a combined HP/Compaq. In any case, with regard to any increased buyer power of the new entity, it is to be noted that IBM and Sun are of a similar scale to the merged entity and that Dell has a more favourable cost structure.

42. As opposed to Dell, the other entry-level server players rely on channel partners to bring their products to the market. These resellers operate on a non-exclusive basis and face only limited costs in switching to alternative suppliers. The market investigation has indicated that resellers do not fear that the new entity will enjoy market power, and indeed, some have indicated that the new HP will suffer from a decrease in sales as customers will switch suppliers to maintain a multi-purchasing strategy.
43. The market investigation has further indicated that HP and Compaq are not each others' closest competitors in this market and that customers, being price-sensitive, are confident in finding alternative suppliers. Such is also the case with regard to innovation. Whilst Compaq is perceived as a technology leader, [...]. Some smaller server competitors have voiced concerns. HP/Compaq's main competitors expect to benefit from the merger initially.
44. In the mid-range and large server markets, the parties' products are mainly complementary. Whilst in this market HP is a strong and innovative Unix player, Compaq has suffered from limited market adoption of its Unix platform. Compaq's proprietary Alpha processor platform has not been able to make significant inroads into Sun's and IBM's leading positions⁸, with the exception of some high end niche applications which are served by the Himalaya platform.
45. In order to safeguard its third place in these markets, HP has developed in co-operation with Intel a successor to its PA-RISC processor. This 64-bit Itanium Processor Family ("IPF") is targeted at the mid-range server market, but could in several years also serve as a next generation computing power alternative for the entry-level servers. The IPF is, contrary to IBM's Power 4 and Sun's SPARC 64-bit proprietary processors, intended as an open platform that will run Windows, Linux and Unix operating systems.
46. As Intel has both the incentive and ability to entice HP's competitors to develop offerings on the basis of the Itanium processors in order to build up critical market volume, and as neither HP's or Compaq's IPF relation with Intel can be regarded as exclusive, it is unlikely that the new entity will have the ability or the incentive to foreclose competitors' access the IPF.
47. The IPF is not considered as likely to lead either to a strengthening of the new entity's position with regard to entry-level servers, or to a lessening of innovation in this market. [...] If successful, it can reasonably be expected that IPF could increase competition in the mid-range server market targeting the leading proprietary server systems of both IBM and Sun.

⁸ Market shares in the mid-range server market are HP ([15% - 20%]), Compaq ([5% - 10%]), Sun ([25% - 30%]), IBM ([25% - 30%]), Fujitsu-Siemens ([5% - 10%]), NEC/Bull ([5% - 10%]). Market shares in the high-level server market are HP ([0% - 5%]), Compaq ([0% - 5%]), IBM ([50% - 55%]), Fujitsu-Siemens ([15% - 20%]), Sun ([5% - 10%]), Unisys ([5% - 10%]), NCR ([5% - 10%]).

Storage

48. On a separate market for Directly Attached Storage, the parties would have a combined market share of [30% - 35%], to be compared with [15% - 20%] for IBM, [10% - 15%] for Sun, [0% - 5%] for Fujitsu-Siemens and [0% - 5%] for Dell. Storage-only suppliers such as EMC and HDS account for respectively [10% - 15%] and [0% - 5%]. Dell is a new entrant in this market and its recent alliance with EMC is expected to increase the pressure on the established players significantly. The competitive assessment for this market follows that of entry-level servers as the customers buying these servers can be considered as potentially captive customers for DAS storage solutions.
49. Despite the captive nature of DAS, the market investigation has confirmed that there are no barriers for customers to switch to alternative suppliers and such is illustrated by the success of the storage-only suppliers. In addition, servers are increasingly sold independently of the storage purchase decision. For advanced network based storage solutions (NAS/SAN), the customer selection driver is more focused on the software than the hardware element of the storage system. For NAS and SAN, the parties do not hold leading positions⁹. Although these solutions currently only account for 25% of the storage markets, they are increasingly replacing DAS in storage solutions.

Services

50. The new entity will reinforce its position on the overall market for IT services but, with a market share of [0% - 5%] on an EEA-wide market, it will remain the second ranked player at a significant distance from IBM Global Services (market shares of [5% - 10%]), and continue to face strong competition, notably from EDS (market share of [0% - 5%]), Cap Gemini Ernst & Young (market share of [0% - 5%]) as well as Accenture and Siemens Business Services (market share of [0% - 5%]). Today, IBM (with a market share more than twice as high as its next competitor, EDS) appears to be the only IT company that has the scale and breadth of products and services to address corporate IT users' demand for complete solutions. [...]
51. In order to maintain the independence of their IT purchasing decisions, customers have also expressed their desire to separate the selection of the service supplier from the selection of the hardware vendor. Service providers that are not vertically integrated with hardware suppliers are therefore considered to be more effective and neutral, and have in any case concluded non-exclusive alliances with major equipment and software vendors enabling preferred access to the latter's know-how and resources.
52. The merged entity will hold a market share above 15% on only one segment of the overall EEA-wide IT services market, i.e. the hardware maintenance services where its market share will reach [15% - 20%]. However, even if the merged entity will be the largest player on that particular segment of the market, it will continue to face strong competition from Xerox (market share of [5% - 10%]), IBM Global Services (market share of [5% - 10%]) and Siemens Business Services (market shares of [5% - 10%]).

⁹ On NAS, HP has [0% - 5%] whilst Compaq has a [0% - 5%] market share. On SAN, Compaq accounts for [10% - 15%] of the market and HP has [5% - 10%] market share. For both NAS and SAN, EMC has a market share of above [30% - 35%].

53. When analysed on the basis of national markets, the new HP would have market shares in excess of 15% on the overall market for IT services only in Greece ([15% - 20%]) as a result of its respective high market shares in that Member-State on various segments among which education and training services (with [20% - 25%]), software maintenance (with [25% - 30%]), transaction processing services (with [20% - 25%]) and hardware maintenance services ([35% - 40%]).
54. As far as the hardware maintenance services are concerned, the new HP would have market shares of or in excess of 15% in following countries: Denmark ([15% - 20%]), Finland ([15% - 20%]), France ([15% - 20%]), Germany ([15% - 20%]), Greece ([35% - 40%]), Italy ([25% - 30%]), Spain ([15% - 20%]), the Netherlands ([15% - 20%]), Belgium ([15% - 20%]) and Ireland ([35% - 40%]). Finally, the merged entity would hold [15% - 20%] of the Irish market for education and training services. However, in all mentioned countries, most of the leading names in the international IT services business are present on the market, together with a considerable number of recent entrants. In any case, barriers to entry are regarded as fairly low as service offerings change rapidly and new players with the right skills can swiftly react to changing customer demands.

V. CONCLUSION

55. In light of the above, the Commission has concluded that the proposed transaction is not likely to 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.
56. 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

Signed,
Mario MONTI
Member of the Commission