

*Case No IV/M.798 -
General Electric /
CompuNet*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 19/08/1996

*Also available in the CELEX database
Document No 396M0798*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.08.1996

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.798 - GENERAL ELECTRIC / COMPUNET

Notification of **15.07.1996** pursuant to Article 4 of Council Regulation No 4064/89

1. On **15.07.1996**, the Commission received a notification of a proposed concentration pursuant to Article 4 of a Council Regulation (EEC) No. 4064/89 by which GE Capital Technology Services GmbH and GE Capital Computer Services GmbH, wholly-owned subsidiaries of the General Electric Capital Corporation (GE Capital) intend to acquire sole control of the German company CompuNet Computer AG (CompuNet) by way of purchase of its entire issued share capital.
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 functioning of the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. GE Capital is a wholly owned subsidiary of General Electric Capital Services, Inc. which is in turn a wholly-owned subsidiary of the U.S. Corporation General Electric Company (GE). GE Capital operates mainly in several finance and insurance segments. GE Capital Technology Management Services, an American GE Capital subsidiary, provides desktop, networking and outsourcing services for businesses. These services are performed in the United States, Canada and Australia.

4. CompuNet is a German company. Its business activities include sale, supply and installation of networked computer systems (PC hard and software, work stations, printers etc) and computer systems services (consulting, processing services including outsourcing of certain data processing needs). CompuNet carries out its business exclusively in Germany.
5. The share sale and purchase agreement of 29 June 1996 provides for the purchase of all the shares in CompuNet. This transaction constitutes a concentration within the meaning of Article 3(1)b of the Merger Regulation since GE Capital will acquire sole control of CompuNet.

II. COMMUNITY DIMENSION

6. GE and CompuNet have a combined aggregate worldwide turnover in excess of 5,000 million ECU (GE 52,534 million ECU and CompuNet 736 million ECU). Each of them has a Community-wide turnover in excess of 250 million ECU (GE 6,676 million ECU and CompuNet 736 million ECU), 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.

III. COMPATIBILITY WITH THE COMMON MARKET

A. Relevant product market

7. CompuNet provides integrated solutions for its customers. Its range of clients goes from small companies and associations to big international companies. The activities of CompuNet could be grouped as follows:
 - (i) sale, supply and installation of computer systems: PC hardware and software, work stations, printers and other peripheral equipment (computer sales);
 - (ii) computer services: consulting, processing services, developing of software, outsourcing of certain data processing needs (computer services).
8. The Commission in previous cases (IV/M.560 - EDS/Lufthansa, IV/M.492 - Klöckner & Co./ Computer 2000 AG, IV/M.336 IBM France/CGI and IV/M.112 EDS/SD Scico) has argued that the information technology (IT) services market could be subdivided in several ways. A major distinction has been made between IT services and IT software. However the Commission did not consider it necessary to delimitate the different segments of the market for the assessment of the above-mentioned cases.
9. Because the notified operation is in essence a merger between parties without horizontal or vertical overlappings, for the purpose of this case the exact definition of the relevant product market can be left open since the concentration is not likely to raise serious doubts as to its compatibility with the in the EEA area even on the basis of the narrowest product market definition.

B. Relevant geographic market

10. The Commission in the previous cases mentioned in paragraph 8 above, has taken into account the importance of being able to communicate in the customer's own language and the importance of a local presence. These arguments play in favour of national markets. Nevertheless the precise definition of the geographical market has always been left open.
11. Since GE does not operate in the IT market in the EU, and CompuNet operates only in Germany, no geographical overlap exists. Thus it is not necessary to delineate the relevant geographic markets in this case because, as in all alternative geographic markets considered, effective competition would not be significantly impeded.

C. Analysis/Assessment

12. The end user typically demands a "whole" product consisting of hard- and software plus related services. Almost every computer company is at least potentially able to satisfy such demand, although some of them concentrate on small niches of the market. In the Computer Sales market segment CompuNet generates sales of [...] ⁽¹⁾ mio ECU in 1995. Based on data provided by the European Information Technology Observatory, a Task Force representing IT associations, and also by Zentralverband Elektrotechnik und Elektroindustrie, a leading association of the German electronic industry, CompuNet reached a market share of [...] ⁽²⁾ in the EU and [...] ⁽³⁾ in Germany. However, CompuNet only intermediates between the computer manufacturer and its client. Market shares of main frame manufactures in Germany are Siemens-Nixdorf, below 15%, IBM, below 10%, Vobis, below 10% and Peacock, below 10%.
13. On the computer services market segment CompuNet generated a turnover of [...] ⁽¹⁾ mio ECU and achieved market share of [...] ⁽²⁾ in the EU and [...] ⁽²⁾ in Germany, according to the above mentioned sources. Main competitors in the German market include IBM and Siemens-Nixdorf (below 15% each), Debis Systemhaus (below 10%) and EDS and SAP (below 5% each)
14. For the above reasons, the concentration will not create or strengthen a dominant position in the EEA territory or a substantial part of it.

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

For the Commission,

(1) [business secret]
 (2) [below 1%]
 (3) [below 2%]