

***Case No IV/M.977 -
FUJITSU / AMDAHL***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 008/09/1997

*Also available in the CELEX database
Document No 397M0977*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.09.1997

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M.977 - Fujitsu/Amdahl

Notification of 05.08.1997 pursuant to Article 4 of Council Regulation N 4064/89

1. On 05.08.1997 the Commission received a notification of a proposed concentration pursuant to Article 4 of a Council Regulation (EEC) No. 4064/89 by which Fujitsu Limited ("Fujitsu") acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Amdahl Corporation ("Amdahl") by way of public bid announced on 30.07.1997.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation 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. The business activities of the undertakings concerned are :
 - Fujitsu Limited: Manufacture and sale of a wide range of computer, semiconductor, and telecommunications products and provision of related services;
 - Amdahl Corporation: Amdahl specialises in large-scale, high-performance general-purpose computer systems and related products which are compatible with IBM System 390 but is also active in software and services.

II. CONCENTRATION

4. With the notified transaction Fujitsu will acquire control over the whole of Amdahl. Fujitsu presently holds 42.14% of Amdahl's shares and has a number of business relationships with that company. None of these elements do enable Fujitsu however to control Amdahl at present:
- In the shareholders meetings over the last three years Fujitsu was not able to raise its vote to over 50% of the shares voted.
 - Fujitsu does not have any special voting, representational or veto rights.
 - The outsourcing of Amdahl's production to Fujitsu is according to the notifying party standard practice in the industry.
 - The same is true for the distribution which Fujitsu carries out for Amdahl for some products in a few countries.
 - The 100 million dollar loan at market rates from Fujitsu to Amdahl can not change the present assessment.

III. COMMUNITY DIMENSION

5. The undertakings Fujitsu and Amdahl have a combined aggregate worldwide turnover in excess of 5,000 million ECU. Each of them has a Community-wide turnover in excess of 250 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, pursuant to Article 57 of that Agreement.

IV. COMPATIBILITY WITH THE COMMON MARKET

A. Relevant product and geographic markets

6. The notifying parties state that there are relevant product markets for a number of computers and computer related products and services. These include mainframe servers, where the parties identify product markets according to the operating system and the server architecture as at the large end System/390 Servers, in the medium range UNIX servers and smaller NT Servers¹. Product markets for these products can also be defined by price bands². The suggested relevant product markets furthermore include storage devices compatible with these systems, systems infrastructure software and applications software. As relevant service

¹ . See also Commission decision IV/M.50 - AT&T/NCR.

² . The International Data Corporation ("IDC", is an independent market research company used in the IT industry as a source of market information) figures suggest such a definition; see also Commission decisions in cases IV/M.57 - Digital/Kienzle; IV/M.129 - Digital/Phillips.

markets the parties identify markets for customer services, professional services and outsourcing.³

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.

B. Relevant geographic markets

7. The notifying parties state that the relevant geographic markets are world-wide or at least EU-wide with regard to their products. With regard to the services they offer they suggest national markets with a trend towards Community wide markets for customer services.⁴

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 area or any substantial part of that area.

C. Effect of the concentration

8. On the basis of none of the possible geographic and product market definitions does this concentration create or strengthen a dominant position.
9. On the basis of the possible market definitions for the various products and services concerned by the concentration there are no affected markets on either world, European or national level. Only if one were to base the market definition for servers on price bands on a world market, the parties would have a combined market share for servers valued over 1 million dollars of about 16% based on units and about 18% based on value. This would not lead to a dominant position of the merged company, in particular since the next largest competitor in a market so defined has a market share of 42,3% or 32,4% respectively.
10. In view of the market position of the parties to the concentration, it appears that the notified operation will have no impact on competition in the EEA. 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.

IV. CONCLUSION

³ . In previous decisions the Commission has argued that information technology services markets could be subdivided in several ways without actually considering it necessary to define these markets IV/M.112 - EDS/SD Scicon; IV/M.336 - IBM France/CGI; IV/M.492 - Klöckner & Co./Computer 2000 AG; IV/M.560 - EDS/Lufthansa; IV/M.798 - General Electric/CompuNet.

⁴ See also Commission decisions IV/M.50 - AT&T/NCR; IV/M.668 - Philips/Origin; IV/M.705 - Deutsche Telekom/SAP-S; IV/M.798 - General Electric/CompuNet.

11. 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,