ACQUISITIONS (POSTAL SERVICES): THE CSC / ROYAL MAIL CASE

Subject: Acquisitions

Industry: Postal services

Parties: Computer Sciences Corporation
Royal Mail Business Systems Ltd
Royal Mail Group plc

Source: Commission Statement IP/03/766, dated 27 May 2003

(Note. The interest of this case lies mainly in its insight into the workings of the Royal Mail Group, particularly when taken in conjunction with the British Post Office case on page 130 of this issue. Given the degree of competition in the field of information technology services, the case did not give rise to difficulties under the competition rules.)

The Commission has approved the acquisition of sole control over RM Business Systems Ltd, the Information Technology division of British postal operator Royal Mail Group plc, by the US-based IT services provider Computer Sciences Corporation (CSC). The Commission has concluded that no competition concerns arise from the transaction

Royal Mail has decided to outsource its IT services to CSS. Previously, its former RM Business Systems Division (RM-BSD) provided these services to Royal Mail. The approved transaction is part of the agreement entered into by CSC and Royal Mail Group, according to which the latter will outsource to CSC its IT services. The present operation concerns the outsourcing of IT management services, which can be defined as the day-to-day operation of IT assets and processes. IT management services comprise operational services, applications IT management services and helpdesk IT management.

Royal Mail and CSC are not engaged in overlapping activities. Nor are they active in each other's upstream or downstream markets. CSC is active on the market for IT services, while Royal Mail provides postal services in the United Kingdom. RM-BSD provides in-house IT services. Furthermore, the envisaged transfer of assets and resources will not result in any significant increase of CSC's market position with respect to IT services. Both the overall IT services market and the IT management services market are very fragmented markets, CSC having a very limited position in each of them.

The Commission has stated in previous cases (IBM/PWC Consulting; Cap Gemini/Ernst & Young; Getronics/Wang; HP/Compaq; Philips/Origin; General Electric/Compunet; Cap Gemini/Vodafone; and IBM Italia/Business Solutions/JV) that the relevant product market for such services may be either the overall market for IT services or the IT management segment itself. It has also

indicated that the markets for IT services continue to be national in scope, although increasing internationalisation has been identified. In any event, market definitions have frequently been left open since the operations at stake did not give raise to significant competition concerns. This is also true for the present case.

CSC is a multinational company providing information technology (IT) services to commercial and government customers: it is active in IT outsourcing/management services, IT management consulting and systems integration. RM-BSD is a former division within the Royal Mail Group, a public company wholly owned by the British government providing postal services in the United Kingdom. RM-BSD has been incorporated as a new company, RM Business Systems Limited, for the purposes of the present operation. It provides in-house IT services to Royal Mail Group. ■

The SEB/Moulinex Case

The Commission has decided to launch an in-depth investigation into the competitive impact of the merger between the two French manufacturers of electrical household appliances, SEB and Moulinex, in Italy, Spain, Finland, Ireland and the United Kingdom. The investigation follows the ruling by the Court of First Instance last month annulling the Commission's decision in respect of these five countries while upholding its analysis for nine other countries, as well as its referral of the French aspects of the case to France. The Commission re-opened the case on 4 April and at this stage has doubts about its impact in the five countries. The launching of an in-depth investigation, which lasts four months, does not prejudge the final decision. In 2002, the Commission authorised SEB to take over Moulinex on certain conditions but referred the scrutiny of the French aspects of the case to the appropriate French authorities, in accordance with their request, since the effects of the merger would be felt primarily in France. The Court's ruling in April partly upheld the Commission's decisions, but found that it had not sufficiently established that the merger created no competition concerns in Italy, Spain, Finland, the United Kingdom and Ireland. The Commission has therefore launched a new investigation in respect of these five countries, within the limits set by the Court's ruling.

SEB and Moulinex between them market a large number of small electrical household appliances such as deep-fat-fryers, tabletop ovens, toasters, waffle irons, steam cookers, fondue sets, meat grills, coffee makers, food processors and irons. The goods are sold under the brand names Krups, Tefal, Calor and Rowenta, besides the Moulinex and SEB brands themselves.

Source: Commission Statement IP/03/744, dated 23 May 2003