



DETERMINATION OF MERGER NOTIFICATION M/09/020 -

Dell/PSC

Section 21 of the Competition Act 2002

Acquisition by Dell Inc. of Perot Systems Corporation

Dated 20 October 2009

Introduction

1. On 25 September 2009, in accordance with Section 18(1) of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Dell Inc. ("Dell"), through its indirect wholly owned subsidiary D-II Holdings Inc. ("D-II"), would acquire sole control of Perot Systems Corporation ("PSC").
2. Dell is involved, both globally and within the State, in the manufacture and sale of computer systems and in the provision of information technology services ("IT Services"), including Development and Integration of IT solutions. Globally PSC is involved in providing a broad range of IT Services. Within the State, PSC's provision of IT Services is focused on the Development and Integration segment.

The Undertakings Involved

Dell

3. Dell is a Delaware, USA, corporation incorporated in October 1987. Dell's shares are publicly traded, with its stock listed on the Nasdaq National Market. Dell headquarters is in Round Rock Texas.
4. Founded in 1984 selling computer systems directly to customers, Dell operates in the worldwide IT industry. Dell's core business covers notebook and desktop personal computers ("PCs"), workstations, servers, networking products and storage products. Dell also develops a limited number of software applications, which it exclusively supplies with its own hardware and services.
5. Dell has also expanded into IT Services which contains the following segments: Development and Integration, Consulting, IT Management, Process Management, Software Maintenance, and Hardware Maintenance.¹
6. Within the State, Dell has manufacturing and distribution facilities and also sales and support services, in addition to providing IT services.

¹ These categories, submitted by the parties, have been identified by Gartner, a well established and recognized industry consultant and provider of IT industry data. The European Commission has on various occasions used Gartner industry classifications and data as an input onto merger decisions involving parties involved in the IT sector. See for example, Comp M.4871 KPN/Getronics paragraph 7.

Perot Systems Corporation

7. PSC, originally incorporated in Texas in 1988 and reincorporated in the Delaware in 1995, is headquartered in Plano, Texas, USA. PSC supplies IT Services. The vast majority of PSC's business is within the USA, including services to healthcare, commercial and government services.
8. In the State, having established a presence in Ireland in 1997,² PSC is involved only in the Development and Integration segment of IT Services.

The Proposed Transaction

9. The whole of PSC, including each of its subsidiary undertakings, is to be acquired by Dell. [The proposed transaction involves Dell making a cash tender offer that can close if shareholders comprising a vote of 66% of the outstanding shares of PSC tender their shares and it is then] followed by a merger of Dell with and into PSC.

Rationale for Proposed Transaction

10. The parties have identified the following business objectives:
 - Extend the reach of PSC's capabilities across the Dell customer base;
 - Extend the reach of PSC's capabilities to Europe;
 - Extend Dell's business into Asia and the Middle East; and
 - Achieve significant cost savings in the areas of services delivery, procurement, internal IT, external IT and public company costs.³

Third Party Submissions

11. No submissions were received.

Analysis

12. In the State, there is no vertical overlap between Dell and PSC.⁴ There is, however, a horizontal overlap between Dell and PSC limited to Development and Integration services. This includes assisting clients with the design of their information technology and implementing the technology; implementing designs that were created for a client by a third party, developing functionality for a client, deploying and rolling out the new applications and infrastructure, and integrating the functionality into the client's existing infrastructure.

² In May 2008, PSC acquired Original Solutions Limited, an established IT Services provider in Ireland and the United Kingdom.

³ Merger Notification M/09/020, dated 25 September 2009, to the Competition Authority.

⁴ At present Dell is vertically integrated while PSC is not vertically integrated. There is an existing vertical relationship to jointly develop and offer a number of co-delivered solutions in areas such as desktop mobility and virtual storage capacity. These offerings are primarily focused in the United States. The parties submit that the existence of a vertical relationship does not risk reducing competition as any hardware manufacturer and any customer will be able to choose among all other IT Services companies around the world. There is, however, no vertical overlap in Ireland.

13. The parties submit that the relevant market is a global market for IT Services.⁵ They estimate that their respective market shares are [0-5]% of that market. Within the State, Dell and PSC estimate shares for IT Services of approximately [0-5]% and [0-5]% respectively.
14. The Authority considers it is not necessary to make a finding on the relevant product, or geographic, market(s) since the proposed transaction is unlikely to give rise to any competition concerns in any market in the State.
15. The Authority considers that the acquisition of PSC by Dell is unlikely to raise any competitive concerns with respect to the provision of IT Services, in particular Development and Integration segment, for the following reasons:
 - There is a minimal overlap between the parties with respect to the Development and Integration segment of that sector;
 - The combined market share of the parties is no more than [0-5%]; and
 - There exists scope for switching by intermediate and final consumers to strong competitors (e.g., Accenture, Hewlett Packard and IBM).

⁵ The European Commission has used Gartner market classifications in merger decisions without necessarily defining a relevant market. See for example Comp M.5128 *Nordic Capital/Tietoanator* paragraphs 9-11 (footnotes in original deleted).

"In previous decisions, the Commission considered a segmentation of the market for IT services based on the categories proposed by the IT analyst Gartner. Gartner's current segmentation comprises the following six categories: (i) hardware maintenance and support, (ii) software maintenance and support, (iii) consulting, (iv) development and integration, (v) IT management, and (vi) process management.

Besides a possible definition of the product market along service categories, in previous decisions the Commission also considered the possibility of sub-dividing the market for IT services by industry verticals (such as e.g. agriculture, communications, financial services, transport, process manufacturing, services, etc.) and by customer size (i.e. large corporations vs. small and medium-sized enterprises ("SMEs")).

However, in all previous cases, the exact delineation of the relevant product market was left open."

Determination

16. The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition of Perot Systems Corporation by Dell Inc. will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr Stanley Wong
Member of the Competition Authority