



DETERMINATION OF MERGER NOTIFICATION M/13/002 -

Capita/Northgate

Section 21 of the Competition Act 2002

Proposed acquisition by Capita IT Services Holdings Limited of sole control of Northgate Managed Services Limited

Dated 6 March 2013

Introduction

1. On 14 February 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby Capita IT Services Holdings Limited ("Capita IT") would acquire sole control of Northgate Managed Services Limited ("Northgate"). Capita IT is a wholly owned subsidiary of Capita plc ("Capita").

The Undertakings Involved

Capita

2. Capita provides business process outsourcing ("BPO") and professional services. Capita delivers back office administration and front office customer contact services to private and public sector organisations across the United Kingdom and Ireland. Key BPO activities include life and pensions, financial services, insurance outsourcing, property consultancy, human resource solutions, local government services, and IT services.
3. Since the early 1990s, Capita has been operating in Northern Ireland where its business activities include life and pensions and human resource solutions. Capita's Northern Ireland clients include Northern Ireland Civil Service and the Police Service of Northern Ireland.
4. Capita has been operating in the State since 1999. Capita's business activities in the State include life and pensions, financial services, asset services, fund administration, and financial accounting software.
5. Capita provides financial accounting software through its subsidiary Capita IB Solutions (Ireland) Limited. This business provides "financial software, eprocurement and bespoke solutions."¹ Customers of Capita IB Solutions (Ireland) Limited include [...]. Approximately 75 employees deliver and support this financial accounting software in Dublin.
6. Within Capita's Dublin and Belfast offices, an internal IT team supports Capita's life and pension clients. The only IT services work undertaken

¹ See <http://www.ibsolutions.com/>

by Capita in the island of Ireland is to provide the internal IT function required for Capita's life & pensions contracts.

7. For the year ending 31 December 2011, Capita's worldwide turnover was €3,376 million. Capita's turnover in the State for the same period was €[...].

Northgate

8. Northgate provides cloud-based and infrastructure IT services and specialist managed services to public and private companies across the United Kingdom and Ireland, primarily in the education and utilities sectors. The parties divide Northgate's activities into the following four categories:

- Managed Services – this can range from outsourcing a single element of a firm's IT system to a full IT infrastructure outsource;
- Infrastructure Services - designing and delivering tailored infrastructure services for firms in areas such as network access and archiving;
- Cloud Services in areas such as archiving, back-up and consulting; and,
- Professional Services. (On its website, Northgate divides this category into five sub-categories: "project management", "business consultancy", "implementation services", "onsite services" and "technical consultancy".²)

9. Northgate's headquarters are based in Northern Ireland where it carries out much of its activities. [...].

10. [...].³ [...].

11. For the financial year ending 30 April 2012, Northgate's worldwide turnover was €163 million. Northgate's turnover in the State for the same period was €[...].

Rationale for the Proposed Acquisition

12. The parties state in the notification:

"Capita considers that the Target fits within its investment strategy and ultimately wishes to make a profitable realisation of its investment and the existing shareholders of the Target wish to realise a return on their investments."

Third Party Submissions

13. No submission was received.

Competitive Analysis

² See <http://www.northgate-managedservices.com/Services/Professional-Services>

³ [...].

Horizontal Overlap

14. The majority of Capita's operations in the State relate to the provision of BPO services. Capita provides a small amount of IT services to customers in the State, specifically financial accounting software. Northgate provides only IT services in the State and it has only one customer. Northgate does not provide financial accounting software to any customer in the State. While both parties are engaged in the provision of IT services in the State, the nature of the specific IT services provided are sufficiently different to allow the Authority to conclude that there is no actual or potential horizontal overlap of competitive concern between the parties in the State.

Vertical Overlap

15. There is a vertical overlap between the parties in Northern Ireland since Capita, as a sub-contractor, provides management information systems to Northgate for the latter's contract with Northern Ireland Schools for the provision of IT services. This five-year agreement between the parties commenced in April 2012. Under the agreement, Capita provides a licence for Northgate to use Capita's SIMS Core Curriculum and Resources Suite software for use in schools in order to support Northgate's IT management services contract which it has won for the provision of IT services to schools in Northern Ireland.
16. There is, however, no vertical overlap of competitive concern between the parties in the State. Capita does not provide its SIMS software to Northgate in the State and Northgate does not have any contracts involving the provision of SIMS software in the State ([...]).
17. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

Ancillary Restraints

18. The parties have entered into an agreement which includes a non-compete clause for a period of [...] in relation to [Northgate Information Solutions Holdings Limited].
19. The Authority considers this restriction to be directly related and necessary to the implementation of the proposed transaction.

DETERMINATION

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 whereby Capita IT Services Holdings Limited would acquire sole control of Northgate Managed Services Limited will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

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