



NEWS RELEASE

23rd November 2004

The Competition Authority publishes its full determination on decision to block IBM's acquisition of Schlumberger

The Competition Authority announced today (23rd November) that it has published a 64 page determination following its decision to block IBM Ireland Limited's (IBM) acquisition of Schlumberger Business Continuity Services (Ireland) Limited (Schlumberger).

The Competition Authority has concluded that the proposed transaction, if allowed to proceed, would "substantially lessen competition" and the Authority has therefore determined that the acquisition "may not be put into effect." Both parties are involved in provision of business recovery services.

This decision of The Competition Authority follows almost five months of economic analysis and market inquiries. The Authority originally received notification of the proposed acquisition on 20th May 2004 and announced its determination to carry out a full (Phase 2) investigation of the transaction on 28th July.

The Authority's conclusions following its investigation are as follows:

- (i) The relevant market is the market for the supply of business recovery hotsite services in the State. The conclusion concerning the competitive effects of this transaction, however, is not dependent upon the finding with regard to the definition of the relevant market.
- (ii) The merging parties are the two largest providers of business recovery hotsite services in the State, and compete directly and closely against each other.
- (iii) Neither of the other two providers of business recovery hotsite services in the State, Synstar and Network Recovery, nor the combination of both of them, would exert sufficient competitive pressure to discipline the combined market power of the merging parties.
- (iv) There is an identifiable group of customers in respect of whom in-house provision of business recovery services would not exercise a sufficient competitive constraint upon the parties' ability to increase price.
- (v) There is an identifiable group of customers in respect of whom general service IT companies, teaming specialists and aggregators who supply some aspects of business recovery services would not exercise a sufficient competitive constraint upon the parties' ability to increase price.

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- (vi) There is no evidence that entry to the market would occur in sufficient time and scale to limit any increase in price.
- (vii) Taking all potential sources of competitive constraint together, there exist identifiable customers for whom the merger would be likely to result in an increase in price. This effect is reinforced by the ability of suppliers to set different prices for individual customers with observable demand characteristics, so that customers negatively affected by the merger would not be protected by customers who would be able to switch more easily.

The determination is available from the Authority's website www.tca.ie

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