Determination No. M/05/064 of the Competition Authority, dated 16th November 2005, under Section 21 of the Competition Act, 2002

Notification No. M/05/064 – Proposed acquisition by Hewlett Packard Company of Peregrine Systems Inc.

Introduction

1. On 19th October 2005, the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby Hewlett Packard Company ("HP"), through its wholly owned subsidiary, Lake Merger Corporation, would acquire all the shares in Peregrine Systems, Inc. ("Peregrine").

The Parties

2. HP, the acquirer, incorporated in Delaware, USA, is a global provider of computing and imaging products and services, including imaging devices, printers, and personal computers services to individual consumers and businesses. It also provides information technology infrastructure and storage, multi-vendor services such as consulting, education, design and installation, ongoing support and maintenance and IT services outsourcing. HP had worldwide group turnover of approximately €64.2 billion in 2004.

3. HP's operations in the State involve provision of the same products and services that it provides on a worldwide basis. In the State, it has five principal operations: (a) sales and services; (b) an ink-jet manufacturing division located in Dublin; (c) a customer support/call centre for the Europe, Middle East, and Africa regions based in Clonskeagh; (d) its European Software Development Centre based in Galway; and (e) a financial services division that offers information technology leasing and financing services. In 2004, HP's overall turnover in the State was approximately [less than €500 million]. In the same year, HP's IT software-related turnover in the State was [less than €20 million] and its turnover for problem management software was [lesser than €1 million].

4. Peregrine, the target, headquartered in San Diego, California, is a global provider of enterprise application software consisting of asset management ("AssetCentre"), problem management ("ServiceCentre"), and Enterprise Discovery software solutions. Its asset management and problem management software solutions are designed to enable organizations in the public and private sectors to reduce costs, improve their IT productivity and service levels, and mitigate risk by managing portfolios of information technology assets and streamlining problem management operations.

5. Peregrine is active in the State through its wholly owned subsidiary, Peregrine Systems Global Limited ("Peregrine Global"), which acts as a holding company for a number of group subsidiaries, including two subsidiaries incorporated in Ireland, Peregrine Operations Systems Limited ("Peregrine Operations") and

Remedy Software Ireland Limited, a non-trading Irish subsidiary that is in liquidation. Peregrine Operations is a holding company for a number of other non-Irish subsidiaries engaged in the sale of software products to end users and it operates a fulfillment center (i.e., software duplication, boxing and shipping) based in Citywest, Dublin. One of Peregrine Operations' subsidiaries, Peregrine Systems Limited, a company incorporated in the United Kingdom, markets and licenses Peregrine software products, including ServiceCenter, to end user customers in Ireland. In 2004, Peregrine's turnover in the State was [less than €1 million] of which, [ ] related to its ServicesCentre activities, [ ] related to its AssetCentre activities and the remaining [ ] related to its other activities.

Analysis
IT Software
6. Each of the parties is active in the provision of IT software to the global or EEA market where they compete with key industry players including, but not limited to, Microsoft, IBM, BMC and Computer Associates. The parties submitted that their combined market share on the global IT software market is less than two per cent. Similarly, in the context of Ireland, there appears to be a minimal overlap between the parties IT software activities. The effect of any overlap between the parties' IT Software activities in Ireland does not appear to be significant, given the size of Peregrine's Irish turnover of [less than €1 million in comparison with HP Irish software-related turnover of [less than €20 million].

7. As set out above, there are a number of distinct types of software. For example, Peregrine provides asset management software and problem management software. HP is not a recognised key player in the provision of asset management software, but is, to a lesser extent than Peregrine, active in the provision of problem management software.

Asset management software
8. Asset management software enables companies to effectively organise and track their IT assets. It allows organisations to keep up to date on the hardware and software in their possession, their location, who has access, related financial and contractual information about assets. Peregrine's AssetCenter software allows customers to take an inventory of their IT assets (both hardware and software), and to track and manage them. On the other hand, HP's existing asset management software products have the capability to collect inventory information, but they do not track and manage IT assets. Therefore, there appears to be no overlap between HP and Peregrine in the asset management space as the parties' asset management software products are not functionally substitutable.

Problem management software
9. Problem management software is also referred to as "*service management*" or "*helpdesk management*" software. This product assists organisations in tracking, recording and managing problems related to their IT infrastructure. It includes IT helpdesk applications and related problem determination applications and resolution applications.

10. Peregrine's ServiceCenter product allows customers to manage their IT systems, allowing customers to track help desk inquiries, hook in with other

systems and connect with Peregrine's AssetCenter product. ServiceCenter can operate on desk tops and servers. It is offered as a separate product or in a package with AssetCenter.

11. HP's OpenView product is a portfolio of management solutions that help organisations to take control of their IT and telecommunications resources. OpenView's applications are far broader than simply helpdesk/problem/service management. "OpenView Service Desk", an application within the OpenView suite, provides problem/service management capabilities. OpenView Service Desk can be obtained as part of an overall package, or as a stand-alone application.

12. Therefore, the main area of direct overlap between HP and Peregrine is in the provision of problem management software. However, the extent of this overlap is minimal in the State and does not give rise to competition concerns.

IT services
13. Peregrine's provides maintenance contracts, education and training as well as consultancy services exclusively for its own software products. There is, therefore, no overlap between the parties' activities in IT services.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition of by Hewlett Packard Company of Peregrine Systems Inc. will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

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Member of the Competition Authority