

# Anticipated acquisition by CGI Group Holdings Europe Ltd of SCISYS Group Ltd

## Decision on relevant merger situation and substantial lessening of competition

**ME/6833/19**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 2 October 2019. Full text of the decision published on 28 October 2019.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

### SUMMARY

1. On 14 June 2019, CGI Group Holdings Europe Limited (**CGI**) announced a public offer to acquire SCISYS Group plc (**SCISYS**) (the **Merger**). CGI and SCISYS are together referred to as the **Parties** (or **Party**, as appropriate), and the post-merger entity is referred to as the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of CGI and SCISYS is an enterprise and that these enterprises will cease to be distinct as a result of the Merger. SCISYS is a 'relevant enterprise' under section 23A of the Enterprise Act 2002 (**the Act**) and the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of IT services. The CMA believes that, in this case, it is not necessary to conclude on whether the market is any narrower than IT services. This is because, based on the Parties' shares of supply, internal documents and views of third parties, the CMA believes that no substantial lessening of competition (**SLC**) arises as a result of the Merger, regardless of how these services may be sub-segmented.

4. The Parties' combined share of supply of IT services in the UK is approximately [0-5]% by revenue, with SCISYS's revenue representing a small increment of [0-5]%. The Parties' estimated shares of supply based on the narrower functionalities and sectors in which they overlap do not exceed [5-10]% in either the UK or EEA for any relevant functionality or sector segments. In addition, the evidence received by the CMA indicates that the Parties are not particularly close competitors and that, post-Merger, the Merged Entity will face sufficient competitive constraint from other suppliers of IT services in the UK. This was reflected in the views of the majority of third parties responding to the CMA's market testing.
5. The CMA believes that these constraints, taken together, are sufficient to ensure that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects.
6. The Merger will therefore **not be referred** under section 33(1) of the **Act**.

## ASSESSMENT

### Parties

7. CGI Group Holdings Europe Limited is a subsidiary of CGI Inc. CGI Inc. is a public corporation incorporated under the laws of the province of Quebec, headquartered in Montreal, Canada, whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange. Within the UK, CGI Inc. provides end-to-end IT services, including consulting, development and systems integration and outsourcing, and intellectual property solutions across a broad range of sectors. CGI Inc.'s total group FY18 turnover was CAD\$11.5bn (approximately £6.6bn) of which CAD([~~£~~]) (approximately £([~~£~~])) was generated in the UK.
8. SCISYS is a public limited company incorporated under the laws of Ireland. SCISYS's shares are listed on the AIM and the Euronext Growth Market. SCISYS offers its IT services to a range of sectors including media, space, government, and defence – with operations focussed in Germany and the UK. SCISYS's services are mainly focussed on development and systems integration as well as software support/maintenance services. SCISYS's total group FY18 revenues were £58.4m of which £([~~£~~]) were generated in the UK.

### Transaction

9. Under the terms of a transaction agreement dated 14 June 2019, CGI agreed to make a recommended offer for the entire issued, and to be issued, ordinary share capital of SCISYS pursuant to Rule 2.5 of the Irish Takeover Rules. The

proposed transaction values the entire issued and to be issued ordinary share capital of SCISYS at approximately £78,900,000.

10. The Parties informed the CMA that the Merger was also the subject of review by the relevant authorities in Germany.

## **Jurisdiction**

### ***Legal Framework***

11. This section outlines the legal framework applicable to the CMA's assessment of its jurisdiction over the Merger.

### ***Enterprises ceasing to be distinct***

12. The CMA has jurisdiction over transactions where it believes that it is or may be the case that a relevant merger situation has been created. In the case of an anticipated transaction, a relevant merger situation has been created when:
  - (a) Arrangements are in progress or in contemplation which will lead to two or more enterprises<sup>1</sup> ceasing to be distinct.<sup>2</sup> Two enterprises will cease to be distinct if they are brought under common ownership or control;<sup>3</sup> and
  - (b) Either the thresholds under sections 23(1) (the **turnover test**) or 23(2) (the **share of supply test**) of the Act are satisfied.

### ***Changes to the turnover test under section 23(1) of the Act***

13. On 11 June 2018, the Act was amended to introduce different turnover thresholds for certain mergers. These amendments provide that the turnover test is met where:
  - (a) The value of the turnover in the UK of the enterprise being taken over exceeds £1 million; and
  - (b) In the course of enterprises ceasing to be distinct, a person or group of persons has brought a 'relevant enterprise' under the ownership or control of the person or group.

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<sup>1</sup> 'Enterprise is defined in section 129 of the Act as the activities, or part of the activities, of a business.

<sup>2</sup> Section 33(1)(a) of the Act and Section 23 of the Act.

<sup>3</sup> Section 26 of the Act.

14. Section 23A of the Act includes a definition of ‘relevant enterprise’, providing that a ‘relevant enterprise’ means an enterprise carrying out activities which consist in developing or producing goods within the meaning of the relevant export legislation. The provisions applicable to the Merger are outlined below.

### *Relevant Enterprise*

#### *Restricted goods*

15. Under section 23A(1)(a) of the Act, a relevant enterprise includes any enterprise carrying out activities which consist in ‘developing or producing restricted goods’.
16. Restricted goods means ‘goods, software or information the export or transfer of which is controlled by virtue of their being specified in the relevant export control legislation’.<sup>4</sup>

#### *Relevant export control legislation*

17. Section 23A(2) of the Act provides that the ‘relevant export control legislation’ includes Annex 1 to Council Regulation (EC) No. 428/2009 (the **EU Dual-Use List**) and Schedules 2 and 3 to the Export Control Order 2008, as amended.

### **Assessment**

18. The Parties submit that, pursuant to the Merger, SCISYS will come under common control with CGI, such that CGI and SCISYS will cease to be distinct enterprises.<sup>5</sup> The Merger involves CGI acquiring all of the share capital of SCISYS.
19. The Parties submit that SCISYS is involved in ‘developing or producing restricted goods’, and that SCISYS currently exports items under the EU Dual-Use List and the UK Military List including, for example, under a standard individual export licence granted by the Secretary of State [X].<sup>6</sup>
20. With regards to the turnover test, SCISYS’s turnover exceeded £1 million, but was less than £70 million, in the UK in 2018.<sup>7</sup>

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<sup>4</sup> Except where the goods etc are controlled only to the extent that they are prohibited from being exported or transferred to one country only: see section 23A(2) of the Act.

<sup>5</sup> Merger Notice, 13 August 2019, para 5.1(a).

<sup>6</sup> Merger Notice, 13 August 2019, paras 5.2 and 5.4.

<sup>7</sup> Merger Notice, 13 August 2019, para 6.2.

### *Conclusion on jurisdiction*

21. On the basis of the above, the CMA believes that:
  - (a) Each of CGI and SCISYS are an enterprise.
  - (b) The Merger will result in CGI and SCISYS ceasing to be distinct;
  - (c) SCISYS's activities consist in or include developing or producing restricted goods within the meaning of section 23A of the Act and SCISYS is therefore a 'relevant enterprise';
  - (d) The turnover threshold as set out in section 23(1)(b) of the Act is satisfied.
22. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
23. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 14 August 2019 and the statutory 40 working day deadline for a decision is therefore 10 October 2019.

### **Counterfactual**

24. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (i.e. the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.<sup>8</sup>
25. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

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<sup>8</sup> [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, para 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

## Frame of reference

26. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>9</sup>

## Product scope

27. The Parties overlap in the provision of IT services in the UK. The Parties submit that neither the CMA nor the European Commission (**EC**) have previously defined the product market more narrowly than IT services. This is mainly due to the high degree of supply side substitutability that exists across IT services.<sup>10</sup>
28. However, IT services covers a wide range of services. As noted by the Parties, both the CMA and the EC have in previous cases considered possible segmentations of the IT services market by: (i) functionality and industry sector; and (ii) end-use of the software concerned.<sup>11</sup>
29. Previous segmentations based on functionality and industry include:<sup>12</sup>
- (a) **Functionality segments:** (i) hardware maintenance; (ii) software maintenance and support; (iii) consulting; (iv) development and integration; (v) IT outsourcing; (vi) business process outsourcing; (vii) management services; and (viii) education and training.
  - (b) **Industry sector segments:** (i) banking & securities; (ii) communications, media & services; (iii) education; (iv) government; (v) healthcare

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<sup>9</sup> [Merger Assessment Guidelines](#), para 5.2.2.

<sup>10</sup> See European Commission decisions: M.6127 *Atos Origin/Siemens IT Solutions & Services* (2011), M.7458 *IBM/INF Business of Deutsche Lufthansa* (2014), M.8180 *Verizon/Yahoo* (2016) and M.8765 *Lenovo/Fujitsu/FCCL* (2018). See CMA decision: [ME/6552/15 Interoute/MDNX](#) (2015).

<sup>11</sup> See European Commission decisions: M.6127 *Atos Origin/Siemens IT Solutions & Services* (2011), M.7458 *IBM/INF Business of Deutsche Lufthansa* (2014); and M.8180 *Verizon/Yahoo* (2016); M.8765 *Lenovo/Fujitsu/FCCL* (2018). See most recent CMA decision [ME/6814/19 Fiserv, Inc./First Data Corporation](#) (2019).

<sup>12</sup> See European Commission decisions: M.7458 *IBM/INF Business of Deutsche Lufthansa* (2014) and M.8765 *Lenovo/Fujitsu/FCCL* (2018).

providers; (vi) insurance; (vii) manufacturing & natural resources; (viii) retail; (ix) transportation; (x) utilities; and (xi) wholesale trade.

30. The EC has in past cases identified relevant functionality and industry sector segments using standardised segmentations adopted by Gartner and/or IDC taxonomy reports. The Parties submit that segmentations closely reflecting those used by Gartner are appropriate frames of reference on which to assess the competitive effects of the Merger.

*Overlaps by functionality and industry sector segment*

31. The relevant functionality and industry sector sub-segments in which the Parties overlap in the UK are summarised in **Table 1** below. Overlaps are marked with a ✓.

**Table 1: Overview of overlaps by IT services functionality and industry sector**

Sector Functionality	Central Government	Defence and Security	Police	Retail	Transport	Space - Earth Observation	Space - Satcom	Space – Satellite Navigation	Utilities
Consultancy	✓	✓							✓
Development and integration	✓	✓	✓			✓	✓	✓	✓
Software support/maintenance	✓	✓	✓	✓	✓				✓

Source: Merger Notice, Table 2

*Segmentation by functionality*

32. The Parties, on what they submitted to be a conservative basis, segmented IT services by functionality. The three functionalities that the Parties overlap in are (see Table 1):<sup>13</sup>

(a) Consultancy – the provision of advice on the design, implementation, and maintenance of IT solutions.<sup>14</sup>

<sup>13</sup> Merger Notice, 13 August 2019, para 14.16.

<sup>14</sup> Merger Notice, 13 August 2019, para 14.90.

- (b) Development and Integration (**D&I**) – the customization or development of IT solutions, assets, and processes and then integrating them with established infrastructure and processes.<sup>15</sup>
- (c) Software Support and Maintenance (**SSM**) – which includes incident-based support contracts in relation to the provider’s software.<sup>16</sup>
33. Although the Parties broke down their IT services by functionality, the Parties indicated that IT service providers generally offer customers a broad range of IT service solutions in one contract.<sup>17</sup>
34. The CMA considered whether to segment the Parties’ IT services by functionality; although, as mentioned above, the Parties state that they typically offer customers a broad range of services in one contract.
35. The CMA sought the views of rival IT services providers and customers to confirm whether they typically offered customers a broad range of services in one contract.
36. Most competitors ([redacted]) agreed that services can be provided across all functionalities. However, another competitor ([redacted]) told the CMA that investment may be required if a firm wanted to expand from providing consultancy services into D&I and/or SSM. Another competitor, [redacted], also told the CMA that specialised workforces may be required to deliver all functionalities.
37. Third party questionnaire responses from customers broadly support the Parties’ submission that IT services can be provided across all functionalities. All customers who responded to the CMA’s questionnaire stated that they could appoint one provider for all services they require, or multiple providers for different services. Respondents stated that this decision would depend on the context of the individual project.

#### *Segmentation by industry sector*

38. The Parties further segmented IT services by the relevant sectors in which they overlap (see Table 1): Central Government, Defence and Security, Police, Retail, Transport, Space-Earth Observation, Space-Satcom, Space-Satellite Navigation, and Utilities.

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<sup>15</sup> Merger Notice, 13 August 2019, para 14.72.

<sup>16</sup> Merger Notice, 13 August 2019, para 14.57.

<sup>17</sup> Merger Notice, 13 August 2019, para 14.8.

39. The Parties stated that they market their services on the basis of industry sector, rather than functionality.<sup>18</sup> Nevertheless, the Parties also stated that there is a significant amount of supply-side substitutability between the services supplied to each sector.
40. The CMA tested this position with rival IT services providers in our third-party questionnaires. Most competitors ([REDACTED]) agreed that services can be provided across industries. However, we received mixed responses from some other competitors, as follows:
- (a) [REDACTED] told us there might be a reputational gap if a firm which had an expertise in one sector tried to supply services to another.
  - (b) [REDACTED] told us that it is possible for IT services to be provided across all sectors. However, the ability to service customers across sectors would depend on the sector expertise that a firm acquires or builds.
41. The CMA also asked customers about the degree of supply-side substitutability between sectors. All respondents agreed that there is a high degree of substitutability, although a small number of customers ([REDACTED]) suggested this was more likely to be the case with larger IT services providers.

#### *Conclusion on product scope*

42. Given the evidence set out above, the CMA has considered the impact of the Merger on the product frame of reference for the provision of IT services but has taken into account the possibility for narrower functionality or industry segmentation in its competitive assessment.
43. However, it was not necessary for the CMA to reach a conclusion on the precise product frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

#### *Geographic scope*

44. The Parties submitted that the CMA and EC have considered the relevant markets in other IT services mergers to be either national or EEA-wide and there is no reason for the CMA to deviate from past decisional practice.<sup>19</sup> In particular, the EC has previously considered that IT services are provided on

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<sup>18</sup> Merger Notice, 13 August 2019, para 14.12.

<sup>19</sup> See European Commission decisions: M.6127 *Atos Origin/Siemens IT Solutions & Services* (2011), M.7458 *IBM/INF Business of Deutsche Lufthansa* (2014), M.8180 *Verizon/Yahoo* (2016) and M.8765 *Lenovo/Fujitsu/FCCL* (2018). See CMA decision: [ME/6552/15 Interoute/MDNX](#) (2015).

a national basis, mainly due to the fact that customised solutions are offered according to particular languages and local business particularities, but has stated that the overall market may be at least EEA-wide, as major IT services providers operate on a worldwide basis responding to worldwide or EEA tenders.<sup>20</sup>

45. The Parties supply their services to organisations across the UK and the CMA did not receive any evidence to suggest a narrower geographic frame of reference.

#### *Conclusion on geographic scope*

46. As the Parties overlap in the provision of IT services in the UK, the CMA has considered the impact of the Merger in the UK.
47. However, it was not necessary for the CMA to reach a conclusion on the precise geographic frame of reference, since, as set out below, no competition concerns arise on any plausible basis.

#### **Conclusion on frame of reference**

48. For the reasons set out above, the CMA considered the impact of the Merger on the frame of reference of the provision of IT services in the UK.

## **Competitive assessment**

### ***Horizontal unilateral effects***

49. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>21</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the provision of IT services in the UK.

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<sup>20</sup> See European Commission decision: M.6237 *Computer Sciences Corporation/iSoft Group* (2004).

<sup>21</sup> [Merger Assessment Guidelines](#), para 5.4.1.

## Shares of supply

50. The Parties estimate their combined share of supply for IT services in the UK to be approximately [0-5]% by revenue, as shown in **Table 2** below.<sup>22</sup> This share is based on data provided by Gartner, which has been used in previous merger investigations in this sector by the EC and the CMA.

**Table 2: Parties' share of IT services in the UK (by revenue), 2018**

CGI	SCISYS	Combined	Total value of IT services in the UK
[0-5]%	[0-5]%	[0-5]%	£59.151 billion

Source: Merger Notice, Table 1, based on Gartner, 2018 market share report on IT services in the UK and SCISYS data.

51. The Parties also provided share estimates, based on the same Gartner data and third-party reports,<sup>23</sup> for the narrower functionalities and sectors in which they overlap, and on an EEA-wide basis. The Parties estimate that their combined share does not exceed [5-10]% in either the UK or the EEA for any of the functionalities or sectors they overlap in. The Parties' estimates also indicate that SCISYS's revenue generally represents a very small increment to CGI's revenue.<sup>24</sup> The Parties further submitted that there are currently many strong alternative providers available to customers.<sup>25</sup>
52. The Parties also provided a report by the consultancy TechMarketView (TMV), which ranks the top 30 IT services providers in the UK, based upon revenue.<sup>26</sup> CGI ranks [10-20]<sup>th</sup> in this table with an estimated share of approximately [0-5]%. The highest ranked firm is [X] which has an estimated share of around [5-10]%. SCISYS did not rank among the top 30. This indicates to the CMA that the provision of IT services is a highly fragmented sector with a wide number of competitive alternatives for customers. It further indicates that the Parties' position in the provision of these services in the UK is limited.

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<sup>22</sup> Merger Notice, 13 August 2019, Table 1, para 14.6.

<sup>23</sup> ['Mapping the Opportunity in Central Government', CXP Group \(2018\), Provided as Annex 31 to the Merger Notice, 13 August 2019](#) and ['Size and Health of the UK Space Industry 2018', London Economics \(2018\), Provided as Annex 24 to the Merger Notice, 13 August 2019.](#)

<sup>24</sup> The one exception is the SSM functionality in the Retail industry sector in the UK, where CGI's revenues are £[X] and SCISYS' revenues are £[X], resulting in a combined estimated share of supply of [0-5]%.

<sup>25</sup> Merger Notice, 13 August 2019, Response to Q14.

<sup>26</sup> ['UK Software and IT Services Rankings 2019', TechMarketView \(2019\), provided as Annex 61 to the Merger Notice, 13 August 2019.](#)

53. The CMA considers that the Parties' share estimates (based as they are on Gartner data and other third-party reports) are a reasonable evidential basis on which to assess the competitive effects of the Merger.

*Closeness of competition*

54. The Parties submitted that CGI does not compete closely with SCISYS, and that the Parties compete more closely with a number of other competitors than they compete with each other. In relation to the (i) central government and (ii) defence and security sectors in particular, the Parties said this was because of CGI's ability to bid on and focus on larger-scale contracts and the broad range of competitors. By contrast, SCISYS will not usually tender for contracts that exceed [REDACTED].<sup>27</sup>
55. The CMA sent questionnaires to customers of the Parties and asked them to specify whether the other Party was a viable alternative for any of the projects for which CGI or SCISYS had been contracted. The questionnaire responses indicated the following:
- (a) Nearly all CGI customers did not consider SCISYS to be a viable alternative for any of their contracts. One CGI customer did consider SCISYS to be a viable alternative for some of their contracts,<sup>28</sup> but not other contracts.
  - (b) The majority of SCISYS customers did not consider CGI to be a viable alternative for any of their contracts. Two SCISYS customers did view CGI as a viable alternative.<sup>29</sup>
56. The CMA sent questionnaires to rival third party IT services providers. One competitor ([REDACTED]) told the CMA that the Parties do not compete closely with one another and that it considered CGI to be a much stronger competitor. It said that recently CGI has focused on providing services to the Local Government, Central Government, and Police sectors, while SCISYS is more of a niche provider of technical skills and mainly operates in the Police, Defence, and Transport sectors as well as other areas in the private sector.
57. Another competitor ([REDACTED]) told the CMA that it competes quite closely with both CGI and SCISYS. However, it also told the CMA that [REDACTED], suggesting the Parties have slightly different strengths and business models.

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<sup>27</sup> Merger Notice, 13 August 2019, para 14.29 and 14.40.

<sup>28</sup> [REDACTED]

<sup>29</sup> [REDACTED]

58. The CMA also reviewed internal documents provided by the Parties and did not find any evidence that the Parties consider each other to be close competitors.
59. In summary, the evidence suggests that the Parties do not compete closely with each other. However, on some occasions, the Parties do compete for the same contract. The shares of revenues provided by the Parties show that SCISYS is substantially smaller than CGI. This suggests that it may not be able to deliver the size and scale of projects that CGI can deliver and therefore is unlikely to be a significant competitive constraint on CGI. This is also consistent with the Parties' submission [REDACTED].

### *Competitive constraints*

60. The Parties submitted that in each relevant segment of IT services in the UK, several large competitors would continue to impose significant competitive constraints on the Merged Entity post-Merger.
61. The Gartner data and TMV report submitted by the Parties indicates that there are a wide range of alternative providers in the provision of IT services in the UK, including in relation to the relevant functionality and industry sector sub-segments where the Parties overlap. These competitors include Capita, Accenture, Fujitsu, Atos, DXC Technology, IBM and Capgemini.
62. The responses received from CGI and SCISYS customers in response to our third-party questionnaire also indicate that there are a large number of IT services providers able to service UK IT services contracts. In nearly all responses received, the CMA was told that for each of the projects where CGI or SCISYS had won the contract, there were several other bidders. Further, nearly all respondents told the CMA that there were several suppliers who they considered viable alternatives to either CGI or SCISYS.
63. A limited number of customers raised concerns about the Merger. Specifically:
  - (a) [REDACTED] raised concerns that [REDACTED] and that this will lead to a loss of competition [REDACTED]. However, the CMA notes that there are currently 11 firms on the framework, with the Merger resulting in [REDACTED] remaining suppliers. In addition, there are some large suppliers [REDACTED]. Therefore, the CMA believes that there will be a sufficient number of competitors remaining post-Merger, including a sufficient number of alternatives [REDACTED], such that competition [REDACTED] should remain effective.
  - (b) [REDACTED], a [REDACTED] customer, said they would be concerned if the Merger led to a price increase or loss of capability and that it may need to find an alternative supplier [REDACTED]. However, [REDACTED] told the CMA [REDACTED] and it identified

a wide range of alternative suppliers for the contracts (including Accenture, Atos, IBM and Tata). The customer also said [REDACTED]. Accordingly, the Merger does not appear to impact the number of alternative suppliers available to [REDACTED] since [REDACTED].

- (c) [REDACTED], a [REDACTED] customer ([REDACTED]), said that while there were viable alternative suppliers for their contract with [REDACTED], they may not have the volume and appropriately experienced staff to replace SCISYS or CGI immediately. [REDACTED].

### *Conclusion on horizontal unilateral effects*

64. Given the evidence set out above, the CMA believes that the Parties have a low combined share of supply in the provision of IT services in the UK, as well as in the relevant functional and industry sector sub-segments in which they overlap, with SCISYS generally representing a very small increment to CGI's existing position. Evidence available to the CMA indicates that customers have plenty of viable suppliers of IT services to choose from, and that the Parties are not particularly close competitors. Accordingly, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the provision of IT services in the UK.

### *Barriers to entry and expansion*

65. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>30</sup>
66. The CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

### **Third party views**

67. The CMA contacted customers and competitors of the Parties. Three customers raised concerns regarding the impact of the Merger on competition. No other third parties raised concerns about the Merger.

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<sup>30</sup> [Merger Assessment Guidelines](#), paragraph 5.8.1.

68. Third party comments have been taken into account where appropriate in the competitive assessment above.

## **Decision**

69. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

70. The Merger will therefore **not be referred** under section 33(1) of the Act.

**James Waugh**

**Director**

**Competition and Markets Authority**

**2 October 2019**