

Completed acquisition by NEC Software Solutions UK Limited of SSS Public Safety Limited and Secure Solutions USA LLC

Summary of provisional findings

Notified: 15 September 2022

Overview of our provisional findings

1. The Competition and Markets Authority (**CMA**) has provisionally found that the acquisition by NEC Software Solutions UK Limited (**NECSWS**) of SSS Public Safety Limited and Secure Solutions USA (together **SSS**), purchased from Capita plc (**Capita**) (the **Merger**), could result in a substantial lessening of competition (**SLC**) in Integrated Communication and Control Services software (**ICCS**), and Duties Management Systems software (**Duties**) in the UK. As a result, customers could experience higher prices or a deterioration in service.
2. We also looked at one other market, Records Management Systems software (**RMS**), where NECSWS and SSS (together the **Parties** and for references relating to the future the **Merged Entity**) overlap but have provisionally found no SLC in that market.
3. We welcome views on our provisional findings, which will be published shortly, by no later than **7 October 2022**.¹
4. In our notice of possible remedies published alongside our provisional findings, we have set out our initial view that the only effective way to address the competition issues would be for the SSS business to be sold by NECSWS to a suitable purchaser. We will also consider any other practicable remedies

¹ See the Notice of provisional findings published on [our case page](#) for details.

that the Parties, or any interested third parties, may propose that could be effective in addressing the SLCs and/or any resulting adverse effects. We invite submissions on these initial views by **30 September 2022**.

Who are the businesses and what services do they provide?

5. NECSWS supplies software and associated services primarily to UK public sector bodies. NECSWS is ultimately owned by NEC Corporation, a global technology business headquartered in Japan.
6. SSS supplies software solutions and managed services primarily to the emergency and justice sectors.
7. The three markets which we looked at in detail were:
 - (a) ICCS that enables control room personnel to make and receive phone calls (including 999 and 101) and to communicate with staff over radio networks and in the future the new emergency services network (**ESN**). This software is used by different emergency services agencies (such as police forces, fire and rescue services, and ambulance trusts) as well as certain transport customers (such as Transport for London).
 - (b) RMS which is used by the police to record and manage case-related information for the processing of people in custody and case file management for prosecutions.
 - (c) Duties which enables the planning, scheduling and shift management of emergency service staff.

What evidence have we looked at?

8. In assessing this Merger, we looked at a wide range of evidence that we considered in the round to reach our provisional findings.
9. We received several submissions and responses to information requests from the Parties and held hearings with each of NECSWS, SSS and Capita. We gathered information about tenders and other types of procurement processes which had been run for ICCS systems by emergency services and transport services, and for RMS and Duties systems by police forces, including who bid for these tenders and who won. We also examined the Parties' own internal documents, which show how they run their businesses and how they view their rivals in the ordinary course of business. These internal documents were

also helpful in understanding the Parties' plans for the future of their businesses.

10. We spoke to and gathered evidence from other companies and organisations to understand better the competitive landscape, and to get their views on the impact of the Merger. In particular, we received evidence from the following:
 - (a) Police forces and other emergency services and transport services, most of whom were customers of the Parties.
 - (b) Other suppliers of ICCS, RMS and Duties to the UK market.
 - (c) The Police Digital Service
 - (d) Organisations involved during the sale of SSS
 - (e) Participants in related markets (such as Enterprise Resource Planning) who potentially might consider entering the UK ICCS, RMS or Duties markets.
11. We also considered evidence from the Parties and third parties received during the CMA's phase 1 investigation into the Merger.

What did this evidence tell us...

...about what would have happened had the Merger not taken place?

12. In order to determine the impact that the Merger could have on competition, we have considered what would have happened had the Merger not taken place. This is known as the counterfactual.
13. The Parties told us Capita had underinvested in SSS in recent years which would affect SSS's ability to compete effectively and that, if unable to sell the business, Capita is likely to have considered winding down and withdrawing SSS's products from the market in the long run.
14. We considered whether it was likely that SSS would continue to be operated as a going concern and provided with the necessary investment, or whether SSS would have been managed to generate cash and minimise investment.
15. Capita and SSS told us that Capita was not investing in the business and in the new technology that would be required to compete and had moved it into

a division with other companies to be sold, which reduced the effectiveness of SSS as a competitor in the market.

16. We looked at the financial position of SSS and the incentives to invest in its products. The evidence shows that SSS is a profitable business and would likely remain so with its investment plans carried through. We consider that, under the ownership of either Capita or another owner, SSS would have remained a going concern that continued to compete, invested in its products and operated for profit. We do not consider it likely that the business would have been wound down.
17. We provisionally conclude that if the Merger had not happened, the most likely counterfactual is that SSS would have continued to operate in the relevant markets, including tendering for new contracts and being considered for extensions and direct awards. This could either have happened under Capita's ownership, as its financial situation progressively improved with sales of other businesses, or with SSS having been sold to an alternative buyer.

... about the effects of the Merger?

18. We have looked at whether the Merger would lead to a significant reduction in competition between the Parties by removing an important competitor and, in doing so, whether the Merged Entity would worsen its offering (such as in respect of price or service quality) compared to the situation if the Merger did not take place.
19. We looked at three markets where SSS and NECSWS competed against each other, and also looked at how these markets may change in the future, particularly with the expected transition to cloud-based software.

ICCS

20. We looked at the supply of ICCS to emergency services in the UK (police forces, ambulance and fire and rescue services) and transport customers. The UK market for ICCS is concentrated with only six suppliers competing in it. The evidence we have seen shows that the Parties are two of the three largest ICCS suppliers and are currently close competitors. Recently the Parties have only directly competed with each other a few times; however they refer to each other in recent internal documents as key competitors and customers also frequently mention the Parties as being competitors in this market.

21. Where the CMA finds evidence that competition mainly takes place among a few firms, any two would normally be sufficiently close competitors that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary. Our provisional view is that the Parties currently impose an important competitive constraint on one another in a concentrated market that would be lost as a result of the Merger.
22. We then looked at whether there are any expected developments in the market which might materially change the strength of the competitive constraint the Parties place on each other, and that other suppliers place on the Parties.
23. Many of the opportunities for the supply of ICCS in the next few years are likely to involve looking at whether the software can operate in the cloud. The evidence suggests that some forthcoming tenders will require a public-cloud solution but not all of these will require it to be implemented immediately from point of contract 'go-live'. Instead in some cases a credible roadmap to public-cloud or a privately-hosted solution will be sufficient and in certain cases an on-premise solution will meet the customer's requirements. These latter three options (a roadmap to public-cloud, privately hosted solution or on-premise solution) are likely to be enough to enable the Parties to compete for some opportunities such that they would be a competitive constraint on each other and other suppliers, particularly where they already supply the customer. In these cases they will also be well-placed to compete for direct awards and extensions.
24. We consider that NECSWS will be a strong competitor in the market going forward, given its investment plans, and we also consider that there is likely a case for investment in SSS's ICCS product to make it a better competitor in the future.
25. We therefore provisionally conclude that the Merger has resulted, or may be expected to result, in an SLC in the supply of ICCS in the UK.

Duties

26. The Parties overlap in the supply of Duties to police forces in the UK. There are only four main suppliers operating in this market, with SSS and Crown having most customers and NECSWS and Totalmobile having fewer customers. As explained above (see paragraph 21), a merger between two firms in a market with such concentration often raises competition concerns.

27. There have been very few opportunities in the Duties market over the last five years and very few tenders. Although the Parties have not directly competed against each other in any Duties tenders recently, given the small number of current suppliers, we consider the Parties are likely to compete directly in future.
28. We looked at the prospects for each of the Parties' products in future. [X] As such, we consider that NECSWS's Duties product is likely to continue in the market serving its current customers, to be available as an option for new customers, and therefore to remain a constraint on SSS over at least the next few years.
29. SSS currently has a strong position in the Duties market, and we consider it is likely to remain a strong competitor in the market in future and will remain a constraint on NECSWS.
30. We have therefore provisionally found that the Merger has resulted, or may be expected to result, in an SLC in the supply of Duties in the UK.

RMS

31. The Parties also overlap in the supply of RMS to police forces in the UK. There are very few companies supplying RMS to police forces in the UK, with NECSWS and Niche having the majority of customers and SSS having fewer customers. There have been very few opportunities in this market in the last five years, but the Parties have directly competed against each other at times.
32. However, SSS currently has a weak position as a supplier in the RMS market [X]. As such, we consider that SSS's RMS products are unlikely to be in a position to compete strongly for future opportunities, and therefore would not be a constraint on NECSWS in the future. We consider that competition against NECSWS is more likely to come from other suppliers, not SSS. We therefore provisionally conclude that the Merger has not resulted, or may not be expected to result, in an SLC in the supply of RMS in the UK.

... about any countervailing factors?

33. We considered whether there are any actions which customers and/or potential entrants could take to mitigate the SLCs we provisionally found in the ICCS and Duties markets in the UK.
34. We looked at whether suppliers in adjacent UK markets (for example telecommunications) are likely to enter the ICCS market in the near future, but consider this is unlikely given this would require developing or modernising an ICCS product and we were told about the importance customers place on a suppliers' track-record. Further we have received no evidence of suppliers without an ICCS product planning to enter the ICCS market.
35. We then looked at whether international ICCS suppliers not currently in the UK market would be likely to enter as a result of the merger, noting that several non-UK suppliers had entered the market in the last few years (eg Motorola, Frequentis, Saab and System).
36. We looked at the barriers to entering the market, including the risk averse attitude of customers, given the critical nature of ICCS systems, leading to a reluctance to select a supplier not already active in the UK. We also took into account the technological barriers that an international supplier seeking to enter the UK market would have to overcome. We have provisionally concluded that barriers are high.
37. We have found no evidence that international suppliers intend to enter the UK in the near future in response to the Merger.
38. Further, businesses which were suggested to us as potential entrants have made clear to us that they are not interested in entering the UK ICCS market.
39. We then looked at the Duties market, and provisionally found that barriers to entry or expansion into the Duties market are high, although the evidence was some mixed evidence on this point.
40. We looked at the likelihood of entry and expansion in the Duties market from either international suppliers or those in adjacent or related markets (such as Duties supply to non-emergency services customers or entry by ERP suppliers).
41. The evidence we have seen suggests that the incentives to enter the UK Duties market may be weak, and we have not seen any evidence that any third party from outside the UK or from a related market has any intention to enter the market for supply of Duties in the UK.

42. Our provisional conclusion is therefore that entry or expansion, as a result of the Merger, would not be timely, likely and sufficient to prevent an SLC arising in the ICCS or Duties markets.
43. We also considered whether efficiencies arising from the Merger constitute a countervailing factor. We considered the efficiencies put forward by the Parties and our provisional conclusion is that these do not meet the criteria for efficiencies to constitute a countervailing factor.

What have we provisionally concluded?

44. For the reasons above, we provisionally conclude that the Merger has resulted, or may be expected to result, in an SLC in the supply of ICCS in the UK and an SLC in the supply of Duties in the UK. We have also provisionally concluded that the Merger would not result in an SLC in the supply of RMS in the UK. We have also provisionally concluded that the Merger would not result in an SLC in the supply of RMS in the UK.