

Clue-less Brussels Looks at HDD Consolidation

Written by Bob Snyder
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The European Commission opens an investigation into storage industry consolidation, referencing "competition" concerns. **Brussels regulators are reportedly "alarmed" there will be only three global HDD makers left standing** if two US companies (Seagate and WD) are allowed to--as planned-- absorb their Asian competitors (Samsung HDD for \$1.4bn for Seagate and HGST for \$4.3bn for WD).

"Hard drives are the backbone of the digital economy. The sector has already experienced significant consolidation and the proposed acquisitions will further reduce competition ," says Joaquín Almunia, Commission VP in charge of competition policy.

Backbone of the digital economy? Either he is confusing a hard drive with a router or he hasn't changed his computer in years.

What about the competition coming from other storage tech? Including--on the low end-- the humble USB which holds as much storage these days as HDDs did a few years ago and-- on the higher end-- solid-state flash memory (dominated by Samsung, Intel and Micron)....

We would say the honourable Commissioner has his head in the clouds, but obviously he has never heard of cloud computing and the winds of change that it brings to storage...

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Sure, market consolidation is tough. Western Digital ends up with 50% market share in HDD, while Seagate-Samsung holds 40% of the market and feisty Toshiba with 10%. But everyone knows HDD manufacturers have been forced to slash their prices for years, and for them consolidation equals survival, not racketeering. Market forces drove number of companies in HDDs from more than 80 to 3 in the last two decades...and no one in the industry suspects this consolidation will create anything like the stranglehold that Google has on internet search, Oracle on databases or Apple on digital music.

The two survivors happen to be American firms so this action would smack of jingoism if you could only say there was a European firm or two that could benefit from stopping these mergers... Yet without that, what else can you claim for this government except ignorance of the industry or a surprising due diligence that might be better spent on European banking?

The EC can dawdle on this, stretching out the mergers for these companies until October 10-- or they could wake up and **let the HDD industry get on with its survival**. Now that would show real backbone.