I. Introduction

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") from Reed Elsevier NV, Reed Elsevier PLC, Reed Elsevier Group plc, and Reed Elsevier Inc. (collectively "Reed Elsevier"), and ChoicePoint Inc., ChoicePoint Services Inc., and ChoicePoint Government Services LLC (collectively "ChoicePoint"). The purpose of the proposed Consent Agreement is to remedy the anticompetitive effects that would otherwise result from Reed Elsevier’s proposed acquisition of ChoicePoint in the U.S. market for electronic public records services to law enforcement customers. Under the terms of the proposed Consent Agreement, Reed Elsevier and ChoicePoint are required to divest assets related to ChoicePoint’s AutoTrackXP and Consolidated Lead Evaluation and Reporting ("CLEAR") electronic public records services.

The proposed Consent Agreement has been placed on the public record for thirty days to solicit comments from interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the proposed Consent Agreement, modify it, or make it final.

Pursuant to an Agreement and Plan of Merger dated February 20, 2008, Reed Elsevier has agreed to acquire ChoicePoint for approximately $4.1 billion ("Proposed Acquisition"). The Commission’s complaint alleges that the Proposed Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by lessening competition in the market for electronic public record services sold to law enforcement customers in the United States. The proposed Consent Agreement would remedy the alleged violations by replacing the competition that would be lost in this market as a result of the Proposed Acquisition.

II. The Parties

Reed Elsevier is a worldwide, leading information services provider and publisher with headquarters in London, Amsterdam, and New York. Reed Elsevier’s LexisNexis division provides information and risk management products and services to financial, business, law enforcement, and government customers. LexisNexis’s Risk and Information Analytics Group ("RIAG") provides public records services and risk management and information analytics applications designed to assist customers in managing risk through fraud detection and
prevention, identity authentication and verification, and background screening. Reed Elsevier reported revenues of £4.6 billion ($9.3 billion) for 2007.

ChoicePoint, headquartered in Alpharetta, Georgia, is a leading provider of a variety of services used by customers to manage economic risk. ChoicePoint has four primary service groups: Insurance Services, Screening and Authentication Services, Business Services, and Marketing Services. For 2007, ChoicePoint reported revenues of $982 million.

III. Electronic Public Records Services to Law Enforcement Customers

Electronic public records encompasses a wide array of public and non-public records about individuals and businesses, including credit header data, criminal records, motor vehicle records, property records, and employment records. Electronic public records service providers such as LexisNexis and ChoicePoint compile these records, either by going directly to the source or by purchasing these records from third parties, and present them to end users via an online, web-based interface.

Law enforcement customers utilize electronic public records services as an investigatory tool in complex criminal investigations, such as combating terrorism, locating fugitives, and detecting illegal drug transactions. Unlike other consumers of electronic public records services, such as collections agencies who use these services for simple and discrete tasks such as locating an individual, law enforcement customers use electronic public records services to uncover previously unknown information and to generate leads in their investigations. Law enforcement customers, therefore, only work with electronic public records services providers with the most comprehensive, up-to-date, and accurate records available, as deficiencies in the underlying database could cost them a critical lead in an investigation. In addition to demanding the most complete database of electronic public records, law enforcement customers require that the provider have sophisticated search algorithms, sometimes called analytics, that identify and display non-obvious relationships between records.

The relevant geographic market in which to assess the impact of the Proposed Acquisition is the United States. Market participants indicate that successful participation in this market requires an established U.S. sales and support presence. As a practical matter, there are no firms serving non-U.S. customers that a law enforcement customer located in the United States could turn to as an alternative.

The market for electronic public records services to law enforcement customers is highly concentrated, with LexisNexis, primarily through its Accurint for Law Enforcement service, and ChoicePoint, with its AutoTrackXP service, accounting for over 80 percent of this approximately $60 million market. The Proposed Acquisition would significantly increase market concentration and eliminate substantial competition between the only two significant suppliers of electronic public records services to law enforcement customers in the United States.
The anticompetitive implications of such a dramatic increase in concentration are buttressed by evidence of intense head-to-head competition that would be lost with the Proposed Acquisition. Law enforcement customers have benefitted from the rivalry between LexisNexis and ChoicePoint in the form of lower prices, improved products, and better service and support. In addition, this fierce competition prompted ChoicePoint to introduce CLEAR -- a new and advanced electronic public records service -- designed specifically for law enforcement customers. Left unremedied, the Proposed Acquisition likely would cause anticompetitive harm by enabling LexisNexis to profit by unilaterally raising the prices of electronic public records services to law enforcement customers, as well as reducing its incentives to innovate and develop new services.

New entry or fringe expansion into the market for the sale of electronic public records services to law enforcement customers sufficient to deter or counteract the competitive effects of the proposed transaction is unlikely to occur within two years. Firms existing in the market would need to improve their software and underlying analytics substantially, increase the breadth and depth of their public records data, and overcome the resistance of many law enforcement customers to switch to a product that lacks the track record of effectively serving the needs of the law enforcement community in order to seriously contend for the customers that currently work with LexisNexis or ChoicePoint. As a result, new entry or fringe expansion sufficient to achieve a significant market impact within two years is unlikely.

IV. The Consent Agreement

The proposed Consent Agreement effectively remedies the Proposed Acquisition’s likely anticompetitive effects in the market for electronic public records services to law enforcement customers. The proposed Consent Agreement preserves competition by requiring the divestiture of assets related to ChoicePoint’s AutoTrackXP and CLEAR electronic public records services to Thomson Reuters Legal Inc. (“West”) within fifteen (15) days after the Proposed Acquisition is consummated.

The Commission is satisfied that West is a well-qualified acquirer of the AutoTrackXP and CLEAR assets. West has the resources, capabilities, experience, and reputation to ensure that it will be an effective competitor in the market for electronic public records services to law enforcement customers. West, headquartered in Eagan, Minnesota, is a subsidiary of Thomson Reuters, one of the world’s leading information service providers to the legal and business community. West already has a large and experienced sales force with existing relationships with many law enforcement agencies which use West’s legal research services. With the divested assets, West will be particularly well-situated to replicate ChoicePoint’s success and compete against the combined firm immediately after the Proposed Acquisition.

The proposed Consent Agreement contains several provisions designed to ensure that the divestiture of the AutoTrackXP and CLEAR assets to West is successful. First, the proposed Consent Agreement requires Reed Elsevier to provide various transitional services such as
customer service, billing support, and database and network maintenance for up to two years to enable West to compete against Reed Elsevier immediately following the divestiture. Second, the proposed Consent Agreement ensures that Reed Elsevier will maintain the viability and marketability of the AutoTrackXP and CLEAR assets prior to the divestiture. Finally, the proposed Consent Agreement allows the Commission to appoint an Interim Monitor to ensure that Reed Elsevier fulfills all of its obligations related to the divestiture of the assets.

In order to ensure that the Commission remains informed about the status of the AutoTrackXP and CLEAR assets pending divestiture, and about the efforts being made to accomplish the divestiture, the proposed Consent Agreement requires Reed Elsevier to file periodic reports with the Commission until the divestiture is accomplished.

The purpose of this analysis is to facilitate public comment on the proposed Consent Agreement, and it is not intended to constitute an official interpretation of the proposed Consent Agreement or to modify its terms in any way.