The European Commission is initiating a review of Qualcomm's acquisition of Autotalks under Article 22 of the 2004 Merger Regulation

Published on August 22, 2023

Background

Following the referral request by the *Autorité* and six other European competition authorities (Belgium, Italy, Netherlands, Poland, Spain and Sweden), joined by eight other Member States (Denmark, Finland, Luxembourg, Ireland, Czech Republic, Romania, Slovakia and Portugal), the European Commission has decided to initiate proceedings to examine Qualcomm's takeover of Autotalks on the basis of Article 22 of the European Merger Regulation (see Commission communication of 18 August 2023).

Qualcomm and Autotalks are world leaders in long- and short-range communication technologies, which are increasingly used in the automotive and road infrastructure industries. These technologies, which are based on on-board sensors, can be grouped under the term "Cooperative Intelligent Transport System" (C-ITS), or V2X for "vehicle-to-everything". In particular, they enable vehicles to exchange information with each other and with their environment, in order to improve the driving experience, road safety, the safety of operating agents working on the roads and the overall efficiency of road traffic.

This booming sector represents a strategic challenge for Europe and France. In France, the deployment of C-ITS across the country has been underway for several years, and many private and public sector companies are involved in this strategy, including road managers, vehicle manufacturers, equipment suppliers and telecoms operators.

This is the second time that the European Commission has accepted referral requests under Article 22 of the Merger Regulation to refer a transaction "below the thresholds".

This is the second merger not subject to compulsory notification at national and European levels to be examined by the European Commission under Article 22, after an initial "below the thresholds" implementation of this framework in the Illumina/Grail transaction in 2021 (see the *Autorité de la concurrence* press release of 20 April 2021), validated by the General Court of the European Union in a ruling of 13 July 2022.

The transaction was announced on 8 May 2023 for a settlement value of approximately $350-400 million. The European Commission has referred the matter to all Member States, in accordance with Article 22(5). The *Autorité* strongly supports the use of this framework for potentially problematic transactions that would otherwise escape scrutiny under European merger control (see *Autorité de la concurrence* press release of 15 September 2020).

In the present case, the *Autorité* considers that the application of Article 22 is particularly appropriate since Autotalks is an innovative company, described as a pioneer in its field, whose turnover does not reflect its current or future competitive potential. In addition, the value of the transaction in relation to the target's limited turnover is such as to demonstrate the significant development prospects that Qualcomm anticipates for the technologies in question.

- **Parties to the transaction**

Qualcomm and Autotalks, based in the USA and Israel respectively, are active simultaneously in the sale of V2X communication systems in Europe, with a commercial presence in several EEA countries, including France. They specialise in the two current technologies: cellular (C-V2X) and non-cellular (ITS-G5 or DSRC). Autotalks is the only supplier of V2X chips compatible with both technologies, enabling it to respond effectively to different standards worldwide, including in Europe, where both technologies are deployed simultaneously. In

addition, Qualcomm's offering includes a range of products vertically or closely related to V2X chips.

- **The competitive risks identified by the *Autorité***

Based on a preliminary analysis, the referring Member States and the European Commission consider that the transaction affects trade between Member States and threatens to significantly affect competition throughout Europe.

The markets concerned by this operation are likely to be European or even worldwide in scope. In these markets, the two parties sell their products to car-makers and parts manufacturers, who are themselves likely to source and offer their products on a European or even global scale. Furthermore, the *Autorité* considers that there is a real risk that the transaction could have significant adverse effects on competition and that it therefore merits an in-depth examination. Among the markets affected by the proposed acquisition, the *Autorité* found in particular that the market for the sale of V2X chips is highly concentrated, with high barriers to entry. As a result, by removing the considerable competitive pressure currently weighing on the parties, the transaction would significantly increase Qualcomm's market power and could lead to a marked increase in prices in the sectors concerned, as well as consequences in terms of innovation.

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