



## **DETERMINATION OF MERGER NOTIFICATION M/10/014 -**

### **Hewlett Packard / Palm**

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#### **Section 21 of the Competition Act 2002**

#### **Acquisition by Hewlett Packard Company of Palm Inc.**

**Dated 31 May 2010**

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#### **Introduction**

1. On 14 May 2010 in accordance with Section 18 (1) of the Competition Act, 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Hewlett Packard Company ("HP") would acquire sole control of Palm Inc. ("Palm").

#### **The Undertakings Involved**

##### *The Acquirer*

2. HP, incorporated in Delaware U.S.A. and headquartered in Palo Alto, California, U.S.A, is a global supplier of information technology ("IT") products and services. HP's products include computing systems, personal computers, printers, scanners and copiers and also the iPAQ range of smartphones.<sup>1</sup> HP's services include consulting, education, design and installation, ongoing support and maintenance, and IT service outsourcing. HP offers its full range products and services within the State. HP is not involved in the production or sale of operating systems for smartphones.<sup>2</sup>
3. For the financial year ended 31 October 2009 HP's worldwide turnover was approximately €82.1 billion.<sup>3</sup> For the same period within the State, HP's turnover was approximately [...]. Net revenue from the sale of iPAQ phones in the State over the same period was [...].<sup>4</sup>

##### *The Target*

4. Palm, incorporated in Delaware, U.S.A. and headquartered in Sunnyvale, California, U.S.A, is a global mobile products supplier. Palm's products include smartphones and smartphone operating systems.
5. Palm's most recent smartphone models, Palm Pre and Palm Pixi, run on the new Palm WebOS operating system, which supports core

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<sup>1</sup> A smartphone can be described as a device that, in addition to making phone calls, has capabilities such as messaging, web access, camera, document editing, contact lists, and calendar and other features. There is no universal definition of a "smartphone" and the capabilities of smartphones will likely continue to grow over time.

<sup>2</sup> An operating system is an essential input in the production of smartphones.

<sup>3</sup> Using the relevant average annual ECB exchange rate for the year ending 31 December 2009 for conversion of US dollars into Euro, €1 = US\$1.3948.

<sup>4</sup> [...].

capabilities such as contacts, calendar, tasks, memos, phone, browser, e-mail, messaging, camera, photo viewer and audio/video player. [...].

6. For the financial year ended 31 May 2009 Palm's worldwide turnover was approximately €527.6 million.<sup>5</sup> For the same period within the State, Palm's turnover was approximately [...] of which approximately [...] was derived from the sale of smartphones.

### **Third Party Submissions**

7. No submissions were received.

### **Analysis**

#### *Smartphones*

8. There is a minimal overlap in the activities of the parties in relation to the sale of smartphones in the State. According to data submitted by the parties,<sup>6</sup> both HP and Palm have market shares of [less than 5%] both globally and within the State for sales of smartphones. Consequently, the combined post-transaction will be [less than 5%.]<sup>7</sup> Also alternative suppliers of smartphones such as Nokia, Research in Motion ("RIM") (i.e. Blackberry), Apple, Sony Ericsson and Samsung will continue to be available to consumers both globally and within the State.
9. Therefore, the Authority considers that the proposed transaction does not raise competition concerns in relation to sales of smartphones in the State.

#### *Operating Systems*

10. There is no horizontal overlap regarding smartphone operating systems, globally or within the State, as HP is not involved in this activity.
11. The proposed transaction will vertically integrate HP and Palm smartphones with Palm smartphone operating systems. According to the parties' estimates, Palm has a market share of [less than 5%] for the supply of smartphone operating systems, both globally and within the State [...].<sup>8</sup> Both Palm and HP have only a small share of smartphone sales both globally and within the State.
12. Therefore the Authority considers that the proposed transaction does not raise vertical competition concerns in relation to smartphones and smartphone operating systems within the State.

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<sup>5</sup> Using the relevant average annual ECB exchange rate for the year ending 31 December 2009 for conversion of US dollars into Euro, €1 = US\$1.3948.

<sup>6</sup> [...].

<sup>7</sup> The share estimates are from Canalys Worldwide Mobile Phone/Smart Phone Market Overview Q4 2009, February 2010. Similar global figures are available in Gartner's "Competitive Landscape: Mobile Devices, Worldwide, 1Q10" report available at <<http://www.gartner.com>> and summarised in <<http://www.gartner.com/it/page.jsp?id=1372013>>

<sup>8</sup> [...]. Other operating system suppliers, globally and in the State, include Symbian, RIM, Apple, Microsoft and Android (Google).

**Determination**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Hewlett Packard Company of sole control of Palm Inc. will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

**For the Competition Authority**

Dr Stanley Wong  
Member of the Competition Authority