

**Neelie Kroes**

European Commissioner for Competition Policy

# **Commission takes antitrust action against Intel**

*Check Against Delivery*  
*Seul le texte prononcé fait foi*  
*Es gilt das gesprochene Wort*

Introductory remarks at press conference

**Brussels, 13<sup>th</sup> May 2009**

Ladies and gentlemen,

I want to talk to you today about an antitrust decision that is focussed on consumer choice and innovation.

The Commission's decision finds that Intel abused its dominant position on the market for computer chips known as "x86 central processing units" in violation of Article 82 of the EC Treaty. This violation lasted for more than five years – from late 2002 to the end of 2007.

These x86 chips are the key hardware component of a computer – in other words, your computer won't work without these chips.

Throughout the period covered by the decision, Intel held at least 70% of the worldwide market in these chips.

The fact that Intel had such a large market share is not a problem in itself. What is a problem is that Intel abused its dominant position. Specifically, Intel used illegal anti-competitive practices to exclude essentially its only competitor, and thus reduce consumer choice, in the worldwide market for x86 chips.

The Commission has ordered Intel to cease the illegal practices immediately, to the extent that they are still ongoing, and to refrain from these and any equivalent practices in the future. The Commission will be monitoring Intel's compliance closely.

For this abusive behaviour, the Commission has fined Intel 1.06 billion euros.

### **Frustrating innovation**

The Commission finds that Intel did not compete fairly, frustrating innovation and reducing consumer welfare in the process.

Whenever dominant companies use their market position to exclude competitors, innovation suffers – and consumers are harmed because they are denied choice.-.

The Commission has found that Intel excluded its competitor in two ways:

- 1) through illegal loyalty rebates
- 2) by paying manufacturers and retailers to restrict the commercialisation of competitors' products.

These illegal actions were designed to preserve Intel's market share at a time when their only significant rival - AMD - was a growing threat to Intel's position. This threat was widely recognised by both computer manufacturers and in Intel's own internal documents seen by the Commission.

The computer manufacturers involved are Acer, Dell, HP, Lenovo and NEC. The retailer involved is Media Saturn Holdings, the parent company of Media Markt.

## **Rebates**

Naturally, the Commission favours strong, vigorous price competition, including by dominant firms. However, Intel went beyond normal price competition by giving rebates to computer manufacturers on the condition that they bought all, or almost all, of their CPUs from Intel.

Intel also made direct payments to a major retailer – Media Markt - on the condition that it stocked only computers with Intel CPUs.

Not all rebates are a competition problem – often they will lead to lower prices for consumers in the long term as well as the short. But the Intel rebates in this case were a problem because of the conditions that Intel attached to its rebates. Moreover, the Commission has examined closely whether an efficient competitor could have matched these rebates. These conditions, to buy less of AMD's products or to not buy them at all, prevented AMD from competing with Intel on the merits of its products. This removed the possibility of genuine choice for consumers and undermined innovation.

Just to give you one example: in one case, a computer manufacturer took up only a small part of an offer by AMD of **free** CPUs because acceptance of all the free CPUs offered would have led that computer manufacturer to breach the conditions of its agreement with Intel and to lose rebates on all its much more numerous Intel purchases.

**Everyone but Intel was worse off in this anti-competitive scenario.**

But rebates are only part of the story.

## **Pay-for-delay**

Intel made direct payments to computer manufacturers to halt or delay the launch of products using their rival's chips, and to limit their distribution once available.

The Commission has specific, documented examples, of Intel paying other manufacturers to, for example, delay the launch of an AMD-based PC by six months, and to restrict the sales of AMD-based products to certain customers.

Why is pay-for-delay wrong?

Because it was aimed at preventing a competitor from selling its products on their merits, again restricting genuine choice for consumers and undermining innovation.

## **Concealment**

The Commission Decision contains evidence that Intel went to great lengths to cover-up many of its anti-competitive actions. Many of the conditions mentioned above were not to be found in Intel's official contracts.

However, the Commission was able to gather a broad range of evidence demonstrating Intel's illegal conduct through statements from companies, on-site inspections, and formal requests for information.

## **Concluding remarks**

The Commission's investigation has uncovered serious wrongdoing in the x86 computer chip market.

Given that Intel has harmed millions of European consumers by deliberately acting to keep competitors out of the market for over five years, the size of the fine should come as no surprise.

I am very grateful for the interest and support that both BEUC (*the European Consumers' Association*) and UFC Que Choisir (*French consumers' association*) have shown in intervening on the side of the Commission in this case. This goes to show the widespread discontent at Intel's behaviour and the priority the Commission places on consumers and their welfare.

Finally, I would like to draw your attention to Intel's latest global advertising campaign which proposes Intel as the **"Sponsors of Tomorrow."**

Their website invites visitors to add their 'vision of tomorrow'. Well, I can give my vision of tomorrow for Intel here and now: "obey the law".