



Commission approves Hitachi Rail's acquisition of Thales' ground transportation business, subject to conditions

Brussels, 30 October 2023

The European Commission has approved, under the EU Merger Regulation, the proposed acquisition of Thales' ground transportation business ('GTS') by Hitachi Rail. The approval is conditional on full compliance with commitments offered by Hitachi Rail.

Hitachi Rail and **Thales GTS** are leading suppliers of rail mainline signalling services in the European Economic Area ('EEA'). Both supply **interlockings** and **automated train protection wayside systems** (overlay and resignalling). Hitachi Rail also manufactures and supplies rolling stock for mainline and urban trains.

The Commission's investigation

The Commission's investigation showed that the transaction, as initially notified, would have **reduced competition** and led to **higher prices** and **less innovation** in the markets for rail mainline signalling projects in France (including interlockings, overlay and resignalling projects) and Germany (including overlay and resignalling projects).

On these markets, the transaction would have combined two close competitors and the merged entity would have acquired **very high market shares**.

The proposed remedies

To address the Commission's preliminary competition concerns, Hitachi Rail offered to **divest its mainline signalling platforms in France and Germany** for interlockings, overlay and resignalling projects.

These commitments fully address the competition concerns identified by the Commission. They will preserve competition by **removing the horizontal overlap** between the parties in the French and German markets for interlockings and automated train protection wayside systems for mainline signalling platforms.

The commitments come after constructive discussions between the Commission and the parties that resulted in a successful proposal to divest Hitachi Rail's standalone business in France and Germany, including international locations. Structural divestitures eliminate concerns that arise when the merging companies are close competitors, because they immediately replace the competition that would have been lost as a result from the merger.

The commitments will enable a purchaser to run the divestment business as a viable competitive force in the market on a lasting basis. The Commission will closely monitor the divestment process, including the choice of any suitable purchaser for the divested businesses that will have to be approved by the Commission.

Following the positive feedback received in the context of the commitments' market test, the Commission concluded that the transaction, as modified by the commitments, **would no longer raise competition concerns**. The decision is conditional upon full compliance with the commitments.

The UK's Competition and Markets Authority ('CMA') has also reviewed the transaction. In order to address CMA's concerns, Hitachi Rail also committed to divest its mainline signalling business in the UK.

Companies and products

Hitachi Rail is a wholly-owned subsidiary of Hitachi, Ltd., headquartered in Japan, and a global provider of transport solutions including rolling stock, signalling systems, turnkey solutions, maintenance services and components.

Thales GTS, headquartered in France, offers various solutions across four core business lines: (i)

mainline signalling, (ii) urban rail signalling, (iii) integrated communication and supervision solutions and (iv) revenue collection systems.

Interlockings ensure the safe passage of trains by controlling and preventing access to sections of the tracks to avoid collisions. Automated train protection wayside systems reduce the risk of train drivers failing to respond to signalling commands.

For More Information

The transaction was first notified to the Commission on 4 October 2022, but the parties withdrew their notification on 3 November 2022 in view of the competition concerns identified by the Commission. The parties renotified the transaction to the Commission on 14 September 2023.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II). If commitments are proposed in Phase I, the Commission has 10 additional working days, bringing the total duration of a Phase I case to 35 working days, such as in this case.

More information will be available on the Commission's [competition website](#), in the public [case register](#) under the case number [M.10507](#).

IP/23/5323

Quotes:

Hitachi and Thales are close competitors in mainline signalling, notably in France and Germany. The divestiture of their activities in these countries will preserve competition and ensure that infrastructure managers, and ultimately customers, do not face increased prices, lower quality and less innovation.
Commissioner Didier Reynders, in charge of competition policy - 30/10/2023

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