



DETERMINATION OF MERGER NOTIFICATION M/13/011 - OIF/Mount Kellett/UBIL/Jurys Inn

Section 21 of the Competition Act 2002

Proposed acquisition by the Oman Investment Fund, Mount Kellett Capital Management LP, and Ulster Bank Ireland Limited of joint control of the Jurys Inn group of hotels

Dated 7 May 2013

Introduction

1. On 15 April 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby the Oman Investment Fund ("OIF"), Mount Kellett Capital Management LP ("Mount Kellett"), and Ulster Bank Ireland Limited ("UBIL") would acquire joint control of Vesway Limited ("Vesway"), the parent company of the Jurys Inn group of hotels ("Jurys Inn").
2. Pre-proposed transaction, the shareholders of Vesway are OIF, Quinlan Private [...]. Post-transaction, the shareholdings of Vesway will be as follows: OIF [...]%, Mount Kellett [...]%, and UBIL [...]%.¹

The Undertakings Involved

OIF

3. OIF is a state owned, sovereign wealth fund established by the Sultan of Oman. OIF makes private equity investments in companies with the objective of making financial returns.
4. In the State, OIF currently has joint control with Quinlan Private [...], over Jurys Inn through its wholly owned subsidiary, the Irish Acquisition Company S.á.r.l.
5. For the year ending 31 December 2011, OIF's worldwide turnover was €[...]. OIF's turnover in the State for the same period was €[...].

Mount Kellett

6. Mount Kellett is a global investment firm. Through a number of affiliates, including management companies, investment funds and acquisition vehicles, Mount Kellett controls, directly or indirectly, a variety of companies.
7. For the year ending 31 December 2011, Mount Kellett's worldwide turnover was in excess of €[...]. Mount Kellett, and the operating

¹ The remaining [...] % will be held by two minority investors.

entities controlled by Mount Kellett, generated [...] turnover in the State for the same period.

UBIL

8. UBIL is a wholly owned subsidiary of Royal Bank of Scotland ("RBS"), a public company limited by shares. RBS is an international banking and financial services company. RBS provides a wide range of products and services to personal, commercial, corporate and institutional customers. From its headquarters in Edinburgh, RBS operates in the United Kingdom, Europe, the Middle East, the Americas and Asia.
9. In the State, UBIL provides retail and corporate banking services to personal and business customers through 236 outlets across the island of Ireland.
10. For the year ending 31 December 2011, RBS's worldwide turnover was €[...]. RBS's turnover in the State for the same period was €[...].

Jurys Inn

11. Jurys Inn operates 32 three-star hotels located in cities throughout the United Kingdom, Ireland and the Czech Republic.
12. In the State, Jurys Inn operates six three-star hotels: three located in Dublin and the other three located in Galway, Cork and Limerick. Jurys Inn also operates a hotel in Belfast.
13. For the financial year ending 31 December 2012, Jurys Inn's worldwide turnover was €[...]. Jurys Inn's turnover in the State for the same period was €[...].

Rationale for the Proposed Acquisition

14. The parties state in the notification:

"The proposed transaction arises in the context of a refinancing of the debt of Jurys Inn. The intention of the parties is for OIF, Mount Kellett and RBS (through UBIL) to subscribe for shareholder securities in Jurys Inn, with the proceeds of such subscription being used for the purpose of part pre-paying the liabilities of the group and to reduce certain liabilities of the group owed to the existing lenders (IBRC, AIB and Ulster Bank). By reducing debt to a sustainable level it should allow the company trade comfortably through current challenging market conditions."

Third Party Submissions

15. No submission was received.

Competitive Analysis

16. OIF does not own or operate hotels in the State (other than OIF's pre-existing shareholding in Jurys Inn). Neither Mount Kellett nor any of the operating entities controlled by Mount Kellett own or operate hotels

in the State. Thus, there is no horizontal overlap between OIF, Mount Kellett, and Jurys Inn in the State.

17. The parties state in the notification:

“RBS has a small interest [...]”² [...]”

18. The Authority therefore considers that RBS does not control [...] for the purpose of merger control analysis.

19. The parties, however, also state in the notification:

“RBS (through its wholly owned subsidiary Ulster Bank Ireland Limited) currently holds [...]% of the voting shares in both of the special purpose companies which own the freehold to the [...] properties i.e. the “bricks and mortar” of the hotels. However, these hotels are [...]”

20. The parties further informed the Authority that:

“[...]”

21. The Authority does not need to come to a view as to whether or not RBS has control over the [...]. As described below, if RBS did control the [...] for the purpose of merger control analysis, the ensuing horizontal overlap in the State between RBS and Jurys Inn with respect to the operation of hotels raises no competition concerns.

Potential Horizontal Overlap

22. Both the [...] are located in County Dublin. The former is a [...] hotel while the latter is a [...] hotel. As noted above, Jurys Inn operates three three-star hotels in County Dublin. The Authority therefore considers that the appropriate geographic region in which to assess the competitive impact of the proposed transaction is County Dublin.

23. The [...] has [...] hotel rooms. The [...] has [...] hotel rooms. The three Jurys Inn hotels located in County Dublin have 674 rooms.

24. According to Fáilte Ireland, there are 18,584 hotel rooms in County Dublin.³ Thus, the [...] hotels located in County Dublin that may be controlled by RBS post-transaction will account for only [5-10]% of the total number of hotel rooms in County Dublin.⁴ Given that there are currently 154 hotels operating in County Dublin, of which 71 are three-star hotels, the Authority considers that RBS will not have the ability to raise the price of hotel rooms or otherwise harm competition in County Dublin post-transaction.

25. The Authority therefore considers that the proposed transaction raises no competition concerns in the hotel accommodation markets in County Dublin.

² [...].

³http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/1_Sectoral_SurveysReports/Accommodation-Capacity-2012.pdf?ext=.pdf

⁴ Even if one focuses on three-star hotels in County Dublin, the three-star hotels that may be controlled by RBS post-transaction (i.e., the [...] and the three Jurys Inn hotels) will account for only [10-15]% of the total number of three-star hotel rooms in County Dublin.

26. The parties also informed the Authority that RBS is a customer of Jurys Inn. The parties informed the Authority that the revenue generated by Jurys Inn from RBS in 2012 was less than [...]% of the former's turnover. The Authority considers that this business relationship or any other possible relationship between Jurys Inn and RBS raises no vertical foreclosure concerns in the State.
27. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

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 whereby the Oman Investment Fund, Mount Kellett Capital Management LP, and Ulster Bank Ireland Limited would acquire joint control of Vesway Limited, the parent company of the Jurys Inn group of hotels, will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division