



DETERMINATION OF MERGER NOTIFICATION M/15/028 – ATLANTIC TROY/ KILLESHIN HOTEL

Section 21 of the Competition Act 2002

Proposed acquisition of Killeshin Hotel by Atlantic Troy Limited

Dated 3 July 2015

Introduction

1. On 18 June 2015, in accordance with section 18(1) of the Competition Act 2002 as amended¹ (“the 2002 Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Supermac’s (Holdings) Limited (“Supermac’s”), through its wholly owned subsidiary Atlantic Troy Limited (“Atlantic Troy”), would acquire the business and assets comprising the Killeshin Hotel.

The Proposed Transaction

2. On 24 May 2010, Geroid Costelloe of Grant Thornton (the “Receiver”) was appointed as receiver over certain assets of Killeshin Properties Limited (In Receivership) and the Killeshin Hotel co-ownership, including the business and assets comprising Killeshin Hotel. The proposed transaction is pursuant to (i) a contract of sale (“Contract for Sale”) between the Receiver and Pat McDonagh (in Trust for Atlantic Troy) in respect of the purchase of the lands, hereditaments and premises known as the Killeshin Hotel, and (ii) a business transfer agreement (“Business Transfer Agreement”) between Killeshin Properties Limited (In Receivership), the Receiver and Pat McDonagh (in Trust for Atlantic Troy). Both the Contract for Sale and the Business Transfer Agreement are dated 25 May 2015.

The Undertakings Involved

Supermac’s and Atlantic Troy

3. Supermac’s is a private company headquartered in Ballybrit, County Galway. Through its wholly owned subsidiaries, Supermac’s Ireland Limited and Supermac’s Franchising Limited, Supermac’s operates approximately 100 Supermac’s branded fast food outlets² in Ireland (including outlets in Derry,

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.

² “Outlet” in this context refers to the variety of formats through which Supermac’s products are sold e.g., drive-thru outlets, dine-in fast food restaurants and locations in or adjacent to other businesses such as shops or service stations.



Dundonald and Dungannon in Northern Ireland). Approximately 50 Supermac's outlets also sell Papa John's branded pizzas.³

4. Supermac's, through its wholly owned subsidiary Atlantic Troy, owns and operates three hotels within the State: the Castletroy Park Hotel, the Charleville Park Hotel and the Loughrea Hotel and Spa. All three hotels carry a four star rating.⁴
5. The Castletroy Park Hotel is located in Castletroy, County Limerick. The Castletroy Hotel's facilities include 107 bedrooms, a restaurant, beauty rooms, an aqua club as well as personal training and fitness classes. The Castletroy Hotel also hosts private events, banquets, weddings, corporate conferences and meetings.⁵
6. The Charleville Park Hotel is located in Charleville, County Cork. The Charleville Park Hotel's facilities include 91 bedrooms, 5 executive suites, a leisure club, swimming pool, jacuzzi, steam room, sauna and gym facilities. The Charleville Park Hotel also hosts wedding functions and conferences.⁶
7. The Loughrea Hotel and Spa is located in Loughrea, County Galway. The Loughrea Hotel and Spa's facilities include 91 bedrooms, a restaurant, bar and lounge, spa and hair salon. The Loughrea Hotel and Spa also hosts corporate conferences and meetings.⁷
8. Supermac's, through its wholly owned subsidiaries Supermac's Ireland Limited and Mac's Place Limited, owns and operates the Barack Obama Plaza motorway service facility located near Moneygall on the M7 motorway between Dublin and Limerick.⁸
9. For the year ended 31 December 2013, Supermac's turnover was approximately €[...] million, of which approximately €[...] million was generated in the State.

The Target – Killeshin Hotel

10. The business and assets to be acquired comprise the Killeshin Hotel, a four star hotel situated in Portlaoise, County Laois. The Killeshin Hotel's facilities include 91 bedrooms, 15 executive suites, a restaurant, bar and lounge, a leisure club,

³ For more information on Papa John's in Ireland See <<http://papajohns.ie>>.

⁴ The 4 star rating identified by the parties corresponds to the Failte Ireland Hotel Classification Scheme ("Hotel Scheme") and ultimately the requirement that hotels operating in the State must be registered with Failte Ireland. The Hotel Scheme identifies types of facilities and services required to obtain different star ratings. See <http://www.failteireland.ie/Failteireland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Hotel-Classification-Matrix.pdf>.

⁵ For further information on the Castletroy Hotel see <www.castletroypark.ie>.

⁶ The Commission approved the acquisition by Atlantic Troy of the business and assets of the Charleville Park Hotel on 20 February 2015. See <<http://www.ccpc.ie/enforcement/mergers/merger-notices/m15002-atlantic-charville-park-hotel>>.

⁷ For further information on the Loughrea Hotel and Spa see <www.loughreahotelandspa.com>.

⁸ The Barack Obama Plaza facilities include meeting rooms, food and beverage providers and a museum commemorating Barack Obama's visit to Ireland. For more information on the Barack Obama Plaza see <<http://baracko'bamaplaza.ie>>.



swimming pool, Jacuzzi, steam room, sauna and gym facilities. The Killeshin Hotel also hosts weddings and conferences.⁹

11. For the year ended 31 December 2013 the Killeshin Hotel's turnover was approximately €[...] million, all of which was generated in the State.

Rationale for the Proposed Acquisition

12. As stated by Atlantic Troy

*"Supermac's made a strategic decision in 2010 to enter the hotel industry and the Proposed Transaction is in fitting with Supermac's existing acquisition strategy."*¹⁰

Third Party Submissions

13. No submission was received.

Competitive Analysis

14. There is a horizontal overlap in the activities of the parties. Atlantic Troy, and the Killeshin Hotel are involved in the supply of hotel accommodation.
15. It could be considered that a horizontal overlap within the State also exists to the extent that both Supermac's, and the Killeshin Hotel are involved in the food service sector as food service operators.¹¹

Market Definition

16. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. For the reasons explained in paragraphs 17 - 19, in this instance, it is not necessary for the Commission to define precise relevant markets.
17. The Commission's conclusion concerning the competitive effects of the proposed transaction would be unaffected:

⁹ For more information on the Killeshin Hotel see <<http://www.thekilleshin.com/midlands-hotel.html>>.

¹⁰ Atlantic Troy also states that, as part of its strategy to enter the hotel sector, it acquired the Castletroy Park Hotel out of receivership in 2012, the Loughrea Hotel and Spa out of receivership in 2012, and the Charleville Park Hotel out of receivership in 2015. Notification page 8.

¹¹ The food service sector, in this context, refers to the preparation of food outside of residential premises for sale by food service operators. Consumption of food may take place inside the food service operator's premises or inside residential premises (or elsewhere) as might occur for "takeaway" food. In this instance, Supermac's is a food service operator by virtue of its branded fast food outlets in addition to the food and restaurants services offered by hotels owned and operated by Atlantic Troy. The Competition Authority's determination in M/12/010 – Pallas/Crossgar includes a description of the food service sector (at paragraphs 19-29). See <<http://www.tca.ie/EN/Mergers--Acquisitions/Merger-Notifications/Pallas--Crossgar.aspx>>.



- whether the relevant product market in the hotel sector is defined broadly (e.g., the supply of all hotel accommodation and services) or narrowly (e.g., the supply of four star hotel accommodation).
 - whether the relevant product market in the food sector is defined broadly (e.g., all segments of the food service sector) or narrowly (e.g., separate fast food and restaurant food markets).
18. In conducting its analysis, the Commission considered the potential competitive effects of the proposed transaction by reference to both broadly and narrowly defined product markets.
19. The choice of geographic market (e.g., a national market or a local market such as Portlaoise and surrounding areas) will not materially alter the competitive impact of the notified transaction in the State. Consequently, the Commission is of the view that the issue of the appropriate geographic market can be left open.
20. For the purposes of reviewing the proposed transaction, however, the Commission has examined the competitive effects of the proposed transaction in the narrowest geographic market possible. The Commission has adopted this approach in this instance in relation to both the hotel accommodation sector and the food service sector. Even under this restrictive assumption, the proposed transaction, would not result in a substantial lessening of competition, as discussed below.

Hotel Accommodation

21. Both Atlantic Troy and the Killeshin Hotel are active in the supply of hotel accommodation. The Killeshin Hotel and the three hotels owned and operated by Atlantic Troy (i.e., the Castletroy Park Hotel, Charleville Park Hotel and the Loughrea Hotel and Spa) are all 4 star hotels of similar quality offering a broadly similar number of rooms and a broadly similar range of services. This does not, however, imply that the Killeshin Hotel is necessarily a close competitor with any of the hotels currently owned by Atlantic Troy. Other factors, including hotel location, influence the extent to which hotels compete with each other.
22. The distance between the Killeshin Hotel and the Castletroy Park Hotel (the closest of the Atlantic Troy hotels) is approximately 120 kilometres and a drive time of approximately 1 hour 10 minutes. That distance and travel time does not indicate that the Castletroy Park Hotel and the Killeshin Hotel are likely to be close competitors. However, even if the Killeshin Hotel and the Castletroy Park Hotel were within the same geographic market, then, post-acquisition, the merged entity would face competition from hotels within a similar distance of the Killeshin Hotel. These hotels include:
- 4 star hotels such as Castle Durrow Country House Hotel in Durrow Co. Laois, the Portlaoise Heritage Hotel in Portlaoise County Laois, the Ballykisteen Hotel and Golf Resort in Limerick Junction, County Tipperary and the Horse and Jockey Hotel in Horse and Jockey, County Tipperary.



- 3 star hotels such as the Abbeyleix Manor in Abbeyleix County Laois, the Maldron Hotel in Portlaoise, County Laois, the Castle Oaks House Hotel in Castleconnell, County Limerick and the Abbey Court Hotel in Nenagh County Tipperary.
23. The distances between the Killeshin Hotel and each of the Charleville Park Hotel and the Loughrea Hotel and Spa are even greater than the distance between the Killeshin Hotel and the Castletroy Hotel. The Killeshin Hotel and the Charleville Park Hotel are approximately 155 kilometres apart while the Killeshin Hotel and the Loughrea Spa and Hotel are approximately 140 kilometres apart.
24. A geographic market including (i) the Killeshin Hotel and either (ii) the Charleville Park Hotel, (iii) the Loughrea Hotel and Spa, or (iv) both the Charleville Park Hotel and the Loughrea Hotel and Spa would include a large number of competitors including and in addition to the hotels mentioned above in paragraph 22. The competing hotels would act as a competitive constraint on the activities of the hotels within the merged entity.
25. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in the supply of hotel accommodation within the State.

Food Service

26. Both Supermac's and the Killeshin Hotel are food service operators. However, the parties argue that there is no overlap between Supermac's outlets and Killeshin Hotel's food service activities since the product offering from both is very different; Supermac's offers customers fast convenient food at irregular hours for consumption both on and off the premises while the Killeshin Hotel offers a full waited dining service for consumption on premises.
27. Alternatively, if the Killeshin Hotel and Supermac's were considered to be in the same market, the merged entity would face competition from a wide and varied range of food service operators in Portlaoise such as the Charter Bar and Restaurant, Chicken Hut, the Kingfisher Restaurant, McDonalds, Pronto Pizza, Relish Brasserie and the Spago Italian Restaurant.¹²
28. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in the food service sector within the State.

Vertical Issues

29. There is no vertical overlap in the activities of the parties and the proposed transaction does not give rise to vertical competition concerns.

¹² The merged entity would also face competition from food service operators including and in addition to the food service operators mentioned in paragraph 27, to the extent that competition takes place in a larger geographical market (i.e., larger than Portlaoise and surrounding areas).



Conclusion

30. Overall with respect to the markets for hotel accommodation and food service sectors, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

31. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, 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 Supermac's (Holdings) Limited, through its wholly owned subsidiary Atlantic Troy Limited, would acquire the business and assets comprising the Killeshin Hotel, 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 and Consumer Protection Commission

Gerald FitzGerald
Member
Competition and Consumer Protection Commission