



DETERMINATION OF MERGER NOTIFICATION M/17/064 – TETRARCH (ALVA GLEN) / CITYWEST & CAPE WRATH

Section 21 of the Competition Act 2002

Proposed acquisition by Tetrarch Capital Limited, through Alva Glen Holdings Limited, of Citywest Properties Limited Partnership and of Cape Wrath Hotel Limited

Dated 30 January 2018

Introduction

1. On 20 November 2017, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction (“the Proposed Transaction”) whereby Tetrarch Capital Limited (“Tetrarch”), through its wholly-owned indirect subsidiary, Alva Glen Holdings Limited (“Alva Glen”), would acquire sole control of Citywest Properties Limited Partnership (“Citywest”) and of Cape Wrath Hotel Limited (“Cape Wrath”) (collectively “the Target”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to the following two main agreements¹: (i) a limited partnership purchase agreement (in relation to the entire interest in Citywest)² between Alva Glen and PIMCO Funds Ireland plc (“PIMCO Ireland”)³; and (ii) a share purchase agreement (in relation to the entire issued share capital of Cape Wrath)⁴ between Alva Glen and Joyce Opco Holdings S.á r.l. (“Joyce Opco”) (collectively “the Agreements”).⁵ Both of the Agreements are dated 19 November 2017.
3. Tetrarch holds a minority ([...])% interest in Citywest and currently asset manages Citywest Hotel and Conference Centre pursuant to an asset management agreement, whilst Tetrarch’s wholly-owned direct subsidiary, Tetrarch

¹ Ancillary agreements relating to the Proposed Transaction include [...].

² [...].

³ Acting solely in respect of its sub-fund PIMCO Property Fund III

⁴ Cape Wrath currently leases the Citywest Hotel and Conference Centre from Citywest.

⁵ PIMCO Ireland and Joyce Opco are both part of Pacific Investment Management Company, LLC (commonly known as PIMCO), an American investment management firm headquartered in Newport Beach, California: <https://global.pimco.com/en-gbl/our-firm>



Hospitality Limited (“Tetrarch Hospitality”)⁶ operates Citywest Hotel and Conference Centre pursuant to a resort management agreement.⁷

4. Following implementation of the Proposed Transaction, Tetrarch, through Alva Glen⁸, will hold a [...] % interest in, and will have sole control of the Target.

The Undertakings Involved

Tetrarch

5. Tetrarch is an Irish-owned, Dublin-based real estate investment and development company active across the office, retail, residential, hotel, hospitality and leisure sectors.
6. Within the State, Tetrarch and/or its shareholders⁹ have interests in a number of hotels. Tetrarch and its wholly-owned subsidiary, Tetrarch Hospitality, operate and asset manage the following hotels¹⁰ through hotel management services agreements and/or asset management services agreements (collectively “Management Services Agreements”):
 - Citywest Hotel and Conference Centre – a 4 star hotel located in Saggart, County Dublin;
 - Mount Juliet – a 4 star hotel located in Thomastown, County Kilkenny;
 - Killashee Hotel – a 4 star hotel located in Naas, County Kildare;
 - The Dawson Hotel & Spa – a 4 star hotel located in Dublin City;
 - Clonmel Park Hotel – a 4 star hotel located in Clonmel, County Tipperary; and
 - The Powerscourt Hotel – a 5 star hotel located in Enniskerry, County Wicklow.¹¹
7. For the year ended 31 December 2016, Tetrarch’s turnover was approximately €[...], the entirety of which was generated in the State.

The Target

8. The Target mainly comprises the business and assets of Citywest Hotel and Conference Centre, a 4 star hotel located in Saggart, County Dublin, with facilities including:

⁶ Tetrarch Hospitality was previously known as Tetrarch Hotel Services Limited.

⁷ [...].

⁸ [...].

⁹ [...].

¹⁰ For completeness, the parties informed the Commission that Tetrarch recently sold its interests in Jacobs Inn, a hostel located in Dublin City, and in Mount Wolesey, a hotel located in County Carlow.

¹¹ The Powerscourt Hotel is operated by Interstate Hotel Management Ireland Limited, an independent third party, which also operates The Marker, a 5 star hotel located in Dublin City, in which Tetrarch’s shareholders have a non-controlling investment.

See: <http://interstatehotels.com/portfolio/location/Ireland>.



- hotel accommodation (764 bedrooms);
 - dining facilities (comprising The Woodlock Brasserie and Swift Bars & Hotel Lounge)¹²;
 - a convention / conference facility (capacity of up to 4,100 delegates);
 - meeting and event facilities (29 meeting rooms, 6 plenary rooms and over 16,000 m² of event space);
 - a leisure club (with gym, indoor swimming pool and hair salon/beautician); and
 - a golf course.
9. For the year ended 31 December 2016, the Target's turnover was approximately €[...], the entirety of which was generated in the State.

Rationale for the Proposed Transaction

10. The parties state in the notification:

"The Proposed Transaction is a financial investment by Tetrarch, which is in line with its commercial strategy."

11. The parties also informed the Commission as follows:

"Tetrarch has a strong conviction in the medium to long-term growth potential of Citywest, across all key departments, and is working towards growing/enhancing the previously enjoyed year-on-year improvements in the levels of business at the hotel. It wants to optimise the value of the Citywest Complex through active management and capital investment."

Preliminary Investigation ("Phase 1")

12. In line with the Commission's recent determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*¹³, the Commission considered whether Tetrarch's management of hotels on behalf of third parties in the State and the Management Services Agreements referred to in paragraph 6 above, could potentially lead to anti-competitive information sharing between competitors. The Commission analysed the competitive effects of the Proposed Transaction through an extended Phase 1 investigation.
13. The Commission served a Requirement for Further Information ("RFI") on Tetrarch on 28 December 2018, pursuant to section 20(2) of the Act, in order to obtain, *inter alia*, copies of the Management Services Agreements referred to in paragraph 6, above. This adjusted the deadline within which the Commission had to conclude its assessment of the Proposed Transaction in Phase 1.

¹² The Lemongrass Restaurant is also located in Citywest Hotel and Conference Centre, but it is operated by a third party.

¹³ <https://www.ccpic.ie/business/mergers-acquisitions/merger-notifications/m17027-dalataclarion-liffey-valleyclayton-cardiff-lane/>



14. Upon receipt of the response to the RFI from Tetrarch on 9 January 2018, the “appropriate date” (within the meaning of section 19(6)(b)(i) of the Act) became 9 January 2018.¹⁴
15. During the Phase 1 investigation, the Commission requested and received, on an on-going basis, further information and clarifications from Tetrarch. All of these, as well as the RFI response referred to above, have been taken into account by the Commission in its competitive analysis, set out in paragraphs 17 – 28 below.

Third Party Submissions

16. No submission was received.

Competitive Analysis

Horizontal Overlap

17. There is a horizontal overlap between the activities of Tetrarch and the Target in the State with respect to the supply of 4 star hotel accommodation in County Dublin.
18. Table 1 below illustrates the 4 star hotels owned, asset managed and/or operated by the parties in the State and any potential horizontal area of overlap (based on a potential geographic market of County Dublin).

Table 1: 4 Star Hotels owned, managed or operated by the parties in County Dublin¹⁵

Area	The Target	Tetrarch	Overlap
Dublin	Citywest Hotel & Conference Centre , located in Saggart, County Dublin: a 4 star hotel, with 764 bedrooms	The Dawson Hotel and Spa, located at 35 Dawson Street, Dublin 2: a 4 star hotel with 36 bedrooms	Yes
Kilkenny	N/A	Mount Juliet, located in Thomastown, County Kilkenny: a 4 star hotel with 61 bedrooms	No
Kildare	N/A	Killashee Hotel, located in Naas, County Kildare: a 4 star hotel with 141 bedrooms	No
Tipperary	N/A	Clonmel Park Hotel, located in Clonmel, County Tipperary: a 4 star hotel with 99 bedrooms	No

Source: The Commission based on information received from the parties

19. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In its determination in *M/17/027* –

¹⁴ The “appropriate date” is the date from which the time limits for making both Phase 1 and Phase 2 determinations begin to run.

¹⁵ The star ratings and bedroom capacity, provided in Table 1 are based on Fáilte Ireland’s Hotel Classification Scheme and additional information provided by the parties, as further set out in footnote 17 below.



Dalata/Clarion Liffey Valley/Clayton Cardiff Lane, the Commission assessed the likely competitive effect of that proposed transaction in respect of the potential relevant market for the supply of 4 star hotel accommodation in County Dublin. Both Tetrarch and the Target are active in the supply of 4 star hotel accommodation in County Dublin. Furthermore, the Commission has not, in the course of its review of the competitive effects of the Proposed Transaction, found any reason to depart from the approach to market definition taken by the Commission in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*. Accordingly, the Commission has assessed the likely competitive effects of the Proposed Transaction on the potential relevant market for the supply of 4 star hotel accommodation in County Dublin.

20. For the reasons set out below, the Commission considers that the Proposed Transaction raises no substantial horizontal competition concerns in the potential market for the supply of 4 star hotel accommodation in County Dublin:
- a. The level of horizontal overlap between the parties in the supply of 4 star hotel accommodation in County Dublin is minimal. The Target and Tetrarch's The Dawson Hotel and Spa each have 764 and 36 bedrooms, respectively;
 - b. According to the Fáilte Ireland Hotel Register for 2017¹⁶, and including The Dawson Hotel and Spa¹⁷, there are 10,742 4 star hotel bedrooms in fifty-six hotels in County Dublin. Thus, using those figures, following implementation of the Proposed Transaction, Tetrarch would have a market share of less than 8% of 4 star hotel bedrooms in County Dublin;
 - c. Tetrarch will continue to face a competitive constraint following implementation of the Proposed Transaction from a number of competing providers of 4 star hotel accommodation in County Dublin, including Dalata Hotel Group, Tifco Hotel Group, Rezidor Hotel Group and Irish Holdings II LLC. Following implementation of the Proposed Transaction, there will be approximately 9,942 bedrooms (representing just over 92% of all 4 star hotel bedrooms in County Dublin) available in fifty-four 4 star hotels in County Dublin that will be independent of Tetrarch; and
 - d. The Target and Tetrarch's The Dawson Hotel and Spa are located 16.5km (approximately a 34 minute drive) apart, the Target being located on the western outskirts of Dublin and Tetrarch's The Dawson Hotel and Spa being located in Dublin city centre. The hotels are therefore not in close geographic proximity to each other, which would suggest that the hotels are not each other's closest competitors.
21. In relation to the potential overlap regarding the supply of ancillary services such as food service and conventions, conferences, meetings or events, the parties

¹⁶ The Fáilte Ireland Hotel Register for 2017 can be accessed at http://www.failteireland.ie/Failteireland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/2017-Hotel-Register.pdf

¹⁷ [...].



submit that The Dawson Hotel and Spa's restaurants are currently closed. Also, The Dawson Hotel and Spa does not host conferences and because of the closure of its restaurants, the hotel hosts only a small number of events. The Commission considers that, even if The Dawson Hotel and Spa were to open its restaurants following implementation of the Proposed Transaction and start offering all of the ancillary services offered by the Target, there are numerous competing suppliers of hotel restaurant services and other food service operators, as well as restaurants and cafes that operate independently from hotels, in County Dublin, which would act as a competitive constraint.

22. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition for the supply of 4 star hotel accommodation and ancillary services in County Dublin.

The Potential for the Exchange of Competitively Sensitive Information

23. As described above, Tetrarch and/or its wholly-owned subsidiary Tetrarch Hospitality, currently, through Management Services Agreements, operates and/or asset manages five 4 star hotels in the State, namely: Citywest Hotel & Conference Centre, The Dawson Hotel and Spa; Mount Juliet, Killashee Hotel and Clonmel Park Hotel. Tetrarch has informed the Commission that Tetrarch (including Tetrarch Hospitality) only operates and/or asset manages hotels in which Tetrarch itself and/or its shareholders¹⁸ have a shareholding. [...].
24. The Commission's assessment of the Management Services Agreements, referred to in paragraph 6, has not identified any competition concerns arising from them as they only relate to hotels in which Tetrarch itself and/or its shareholders have a shareholding interest.
25. In light of the above, the Commission considers that the Management Services Agreements, referred to in paragraph 6, in which Tetrarch and/or Tetrarch Hospitality are involved, do not have the potential to restrict and/or distort competition in the potential market for the supply of 4 star hotel accommodation in the State.

Vertical Relationship

26. As mentioned in paragraph 3 above, there is currently a vertical relationship between Tetrarch and the Target in the State, since Tetrarch holds a minority ([...])% interest in Citywest and currently asset manages Citywest Hotel and Conference Centre, whilst Tetrarch's wholly-owned subsidiary, Tetrarch Hospitality, currently operates that hotel pursuant to a resort management agreement with the Target. The Proposed Transaction, therefore, involves the vertical integration of the hotel ownership and hotel operation of the Target.
27. The Commission also considers that there is no risk of vertical foreclosure following implementation of the Proposed Transaction since there are numerous

¹⁸ [...].



hotel operators in the State, including in County Dublin, which would act as a competitive constraint on Tetrarch and the Target.¹⁹

28. The Commission therefore considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Ancillary Restraints

29. No ancillary restraints were notified.

Conclusion

30. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

¹⁹ Such hotel operators include Dalata Hotel Group, Tifco Hotel Group, Rezidor Hotel Group and Irish Holdings II LLC.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby Tetrarch Capital Limited, through Alva Glen Holdings Limited, would acquire sole control of Citywest Properties Limited Partnership and of Cape Wrath Hotel Limited will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the proposed acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission