



DETERMINATION OF MERGER NOTIFICATION M/17/072 – IRISH HOLDINGS/GALWAY LEISURE INVESTMENTS

Section 21 of the Competition Act 2002

Proposed acquisition by Irish Holdings II LLC of sole control of Galway Leisure Investments Limited

Dated 2 February 2018

Introduction

1. On 22 December 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 whereby Irish Holdings II LLC (“Irish Holdings”), would acquire 100% of the voting share capital and thereby sole control of Galway Leisure Investments Limited (“GLIL”) (the “Proposed Transaction”).

The Proposed Transaction

2. Pursuant to a share purchase agreement dated 14 December 2017 between Paul Higgins¹ and Irish Holdings, Irish Holdings proposes to acquire 100% of the A class shares of GLIL [...] from Paul Higgins. The parties have informed us that Dovas Property & Investment Limited² will retain its existing holding of the B class shares of GLIL, [...].

The Undertakings Involved

Irish Holdings

3. Irish Holdings is a limited liability company, incorporated in the State of Colorado, the United States of America, wholly owned and controlled by John Malone and Leslie Malone, US-based investors. Irish Holdings is the sole investor in Irish Property QIAIF plc (“Irish Property”), an Irish-domiciled fund.

¹ Paul Higgins is currently the sole legal and beneficial owner of the issued share capital of GLIL.

² Dovas Property & Investments Limited is wholly owned and controlled by Paul Higgins.



4. Irish Holdings directly, or indirectly through Irish Property, currently owns majority interests in the following eight Irish hotels (the “Existing Hotels”):
- The Trinity City Hotel which offers 218 rooms in Dublin city centre and is classified as a 4 star hotel by Fáilte Ireland³;
 - The Strand Hotel which offers 184 rooms in Limerick city and is classified as a 4 star hotel by Fáilte Ireland;
 - The Hilton Hotel (Charlemont)⁴ which offers 193 rooms in Dublin 2 and is classified as a 4 star hotel by Fáilte Ireland;
 - The InterContinental Hotel which offers 197 rooms in Dublin 4 and is classified as a 5 star hotel by Fáilte Ireland;
 - The Westin Hotel which offers 172 rooms in Dublin city centre and is classified as a 5 star hotel by Fáilte Ireland;
 - The Morgan which offers 129 rooms in Dublin city centre and is classified as a 4 star hotel by Fáilte Ireland;
 - The Spencer which offers 169 rooms in Dublin 1 and is classified as a 4 star hotel by Fáilte Ireland; and
 - The Beacon which offers 88 rooms in Sandyford, Dublin 18 and is classified as a 4 star hotel by Fáilte Ireland.
5. The Existing Hotels are operated by partnerships⁵ (“Operating Partnerships”) and minority interests in each of the Existing Hotels are held by Paul Higgins, Propvur Limited, and Dovas Property & Investment Limited (collectively the “Minority Owners”). Irish Holdings has no other interests or investments.
6. For the financial year ending 31 December 2016, Irish Holdings had a worldwide turnover of €[...], all of which was generated in the State.

GLIL

³ Fáilte Ireland Classification Scheme - http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Hotel-Classification-Matrix.pdf

⁴ The Parties submit that Irish Holdings does not “control” the Hilton Hotel within the meaning of section 16 of the Act. Rather, the Hilton Hotel, Dublin is operated under a long term management agreement by Hilton Corporation (approx. 20 years to run). In particular, the Hilton Hotel, Dublin management agreement provides that “[Hilton Corporation] shall have full control and discretion in the management and operation of the hotel”.

⁵ Each partnership comprises [...].



7. GLIL is an Irish incorporated, private holding company that wholly owns and controls the Galway Radisson Blu hotel asset (“Galway Hotel⁶”) having acquired the Galway Hotel from (i) Shorelark Limited and (ii) Jeremiah O’Reilly and Bernard McNamara (acting through a receiver) on 13 October 2017. The Galway Hotel offers 261 rooms and is classified as a *4 star* hotel by Fáilte Ireland. GLIL is currently wholly owned and controlled by Paul Higgins.
8. GLIL is the general partner for a recently formed limited partnership, the Galway Hotel Partnership, and makes the investment and management decisions relating to the Galway Hotel on behalf of the Galway Hotel Partnership. The other limited partners of the Galway Hotel Partnership are Irish Property and the Minority Owners.
9. GLIL has not generated any turnover in the last financial year in the State. However, for the financial year ending 30 December 2016, Galway Radisson Blu hotel generated worldwide turnover of approximately €[...], all of which was generated in the State.

Rationale for the Proposed Acquisition

10. Irish Holdings states the following in the notification:

“Irish Holdings’ strategic rationale for the Proposed Transaction is to expand its property holdings in Ireland.”

Third Party Submissions

11. No submission was received.

Competitive Analysis

Horizontal Overlap

⁶ The parties informed the Commission that at the time of notification the Galway Hotel is under a management agreement with Rezidor Ireland for the provision of management services to the Hotel. This agreement terminated on [...] and is managed by GLIL [...]. The hotel is now operating under the brand name “*The Galmont Hotel & Spa*”.



12. There is a horizontal overlap between the activities of Irish Holdings and GLIL with respect to the supply of hotel accommodation in the State.
13. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. With respect to the relevant product market, it is not necessary for the Commission to define precise relevant markets in this instance because the product market definition adopted will not materially alter the Commission's assessment of the competitive impact of the Proposed Transaction.
14. In previous merger determinations in the hotel sector,⁷ the Commission has left open the precise product market while recognising the possibility of separate product markets for the supply of different star-rating hotel accommodation (such as *3 star*, *4 star* or *5 star*) or, alternatively, a combined product market for the supply of hotel accommodation for a grouping of these star-ratings. The Commission considers that there are no reasons to depart from that view in this instance.
15. For the purposes of reviewing the competitive impact of the Proposed Transaction, the Commission assessed its impact by reference to the potential market for the supply of *4 star* hotel accommodation, given that the Galway Hotel is a *4 star* hotel.
16. With respect to the geographic scope of the market, the European Commission has, in previous decisions, noted that the relevant geographic market for the supply of hotel accommodation may be both national and local.⁸ In previous cases, the Commission has left open the precise geographic market while recognising the possibility of separate local regional geographic markets for instance County Dublin⁹, and Galway City and surrounding areas¹⁰, respectively. The Commission does not need to come to a definitive view on the precise relevant geographic market in this instance since its conclusion on the competitive impact of the Proposed Transaction will be unaffected

⁷ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane* <https://www.ccp.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁸ See, for example, the European Commission's decision in Case No COMP/M.4624 – EQT/Scandic which can be accessed at http://ec.europa.eu/competition/mergers/cases/decisions/m4624_20070425_20310_en.pdf

⁹ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane* <https://www.ccp.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

¹⁰ See the Commission's merger determination in *M/14/037 – Dalata/Pillo Hotel* <https://www.ccp.ie/business/wp-content/uploads/sites/3/2017/05/M-14-037-Dalata-Pillo-Hotel-Determination.pdf>



whether the precise relevant geographic market is national or local (e.g., Galway city and surrounding areas).

17. On a national basis the most recent Fáilte Ireland quarterly register estimates that there are 58,219 hotel rooms in the State.¹¹ Of 4 star hotel accommodation in the State, it is estimated that there are 30,268 rooms in the State¹².
18. Irish Holdings currently has [...] rooms and GLIL has 261 rooms, representing [0-5]% and [0-5]% market share of the total number of hotel rooms in the State respectively. Therefore, following implementation of the Proposed Transaction the parties combined share would be [0-5]%. Of 4 star hotel accommodation, following implementation of the Proposed Transaction the parties combined market share, with [...] rooms, is estimated at [0-5]%, an incremental increase of approximately [0-5]%. Therefore from a national geographic market viewpoint the Proposed Transaction does not raise any horizontal competition concerns.
19. In order to determine whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has also analysed its competitive impact by reference to a potential geographic market comprising Galway city and surrounding areas¹³ since the Galway Hotel is located in Galway City. For the purposes of this competitive analysis, the Commission has assessed the competitive impact of the Proposed Transaction in the potential market for the supply of 4 star hotel accommodation in the Galway city and surrounding area.
20. Irish Holdings are active in the supply of hotel accommodation in Dublin and Limerick but are not active in Galway city and surrounding areas. GLIL is active in the supply of hotel accommodation only in Galway city and surrounding areas. In addition, GLIL will continue to face a competitive constraint post-transaction from a number of providers of 4 star hotel accommodation in Galway City and the surrounding area, including Ardilaun Hotel and Leisure Club (123)¹⁴, Clayton Hotel (195), Hotel Meyrick (97), Park

¹¹ Fáilte Ireland Quarterly Register – Q3 2017

http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Hotel-Quarterly-Register-2017-Q3.pdf

¹² Supplied by the parties based on Failte Ireland most recent quarterly register estimates

¹³ Galway city and surrounding areas comprises of Galway city and closest main surrounding suburbs and towns including Salthill, Barna, and Oranmore.

¹⁴ Figure in () represents the number of rooms as per Failte Ireland quarterly register estimates.



House Hotel (84), Galway Bay Hotel Conference and Leisure Centre (153) and Salthill Hotel (161).

21. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in the State in respect of the supply of hotel accommodation in the Galway city and surrounding area.

Vertical Relationship

22. There is no identifiable vertical relationship between the parties in the State. On this basis, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

23. 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.

Ancillary Restraints

24. No ancillary restraints were notified.



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 transaction, whereby Irish Holdings II LLC, would acquire 100% of the voting share capital of the shareholding, and thereby sole control, in Galway Leisure Investments Limited, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the proposed transaction may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh

Member

Competition and Consumer Protection Commission