



DETERMINATION OF MERGER NOTIFICATION M/18/048 - ATLANTIC TROY (SUPERMAC'S)/ATHLONE SPRINGS HOTEL

Section 21 of the Competition Act 2002

Proposed acquisition by Atlantic Troy Limited of the property, certain assets and business operations constituting Athlone Springs Hotel, Monksland, Athlone, Co Roscommon

Dated 10 July 2018

Introduction

1. On 5 June 2018, 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 acquisition whereby Atlantic Troy Limited (“Atlantic Troy”) would acquire the property, certain assets and business operations constituting the Athlone Springs Hotel, Monksland, Athlone, Co Roscommon (the “Target Assets”) (the “Proposed Transaction”). Atlantic Troy is a subsidiary of Supermac’s (Holdings) Limited (“Supermac’s”).

The Proposed Transaction

2. The Target Assets comprise the Athlone Springs Hotel property in Monksland, Athlone, Co. Roscommon and the business and certain trade assets of the Athlone Springs Hotel. The parties have informed the Commission that the Proposed Transaction involves:
 - i. the acquisition of the Athlone Springs Hotel property by Atlantic Troy, from Eamonn Conneely and Dolores Conneely (acting by their receiver, Aengus Burns) on the terms of a contract for sale between those parties dated 31 May 2018; and
 - ii. a Business and Asset Purchase Agreement dated 31 May 2018 made between Eamonn Conneely and Dolores Conneely (acting by their receiver, Aengus Burns), Monksland Oyster Hotels Limited, Atlantic Troy and Aengus Burns (in his capacity as receiver of Eamonn Conneely and Dolores Conneely.)



The Undertakings Involved

The Acquirer – Atlantic Troy

3. Atlantic Troy, a subsidiary of Supermac's, is a private company limited by shares and incorporated in Ireland in 2012. Supermac's, through its wholly owned subsidiaries, is a privately owned fast food service restaurant chain founded in 1978 by Mr. Pat McDonagh. Supermac's operates approximately 100 Supermac's branded fast food outlets, including three in Northern Ireland. Supermac's outlets vary from drive-thru outlets, motorway service areas, high-street locations and petrol filling station complexes. Supermac's currently also operates approximately 60 Papa John's outlets, an American pizza franchise, within its existing outlets.
4. Supermac's, through Atlantic Troy, currently owns and operates the following four hotels in the State, which collectively trade under the group name *Só Hotels*¹:
 - The Castletroy Park Hotel, which offers 107 rooms in Castletroy, Co. Limerick and is classified as a *4 star* hotel by Fáilte Ireland²;
 - The Loughrea Hotel and Spa, which offers 91 rooms in Loughrea, Co. Galway and is classified as a *4 star* hotel by Fáilte Ireland;
 - The Charleville Park Hotel, which offers 91 rooms in Charleville, Co. Cork and is classified as a *4 star* hotel by Fáilte Ireland; and
 - The Killeshin Hotel, which offers 88 rooms in Portlaoise, Co. Laois and is classified as a *4 star* hotel by Fáilte Ireland.
5. For the financial year ending 31 December 2017, Supermac's turnover was approximately €[...], of which €[...] was generated in the State.
6. Atlantic Troy's turnover for the same period was €[...], all of which was generated in the State.

¹ See www.sohotels.ie. The hotels are owner operated.

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



The Target Assets

7. The Target Assets consist of the hotel property and the business and assets comprising the Athlone Springs Hotel, at Monksland, Athlone, Co Roscommon.
8. The Target Assets comprise a 4 star hotel located in Monksland, Athlone, Co Roscommon with 68 bedrooms, a leisure centre (including swimming pool), bar, restaurant, and conference and banqueting facilities.
9. For the financial year ended 30 June 2017, the Target Assets' turnover was approximately €[...], all of which was generated in the State.

Rationale for the Proposed Acquisition

10. Supermac's state the following in the notification:

“Supermac's (Holdings) Ltd made a strategic decision in 2010 to enter the hotel industry and the Proposed Transaction is in keeping with Supermac's, through its subsidiary Atlantic Troy Ltd, existing acquisition strategy.

Atlantic Troy Ltd has invested in each of its hotels thereby increasing sales and securing further employment. Atlantic Troy Ltd proposes upgrading the Target with a view to attracting additional corporate and leisure business.”

Third Party Submissions

11. No submission was received.

Competitive Analysis

Horizontal Overlap

12. There is a horizontal overlap in the State between the activities of the Atlantic Troy and the Target Assets with respect to the supply of hotel accommodation.

Product Market

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 the precise relevant markets in this instance because the product market definition adopted will not alter the Commission's assessment of the competitive impact of the Proposed Transaction.

14. In previous merger determinations in the hotel sector,³ the Commission has left open the precise product market while recognising the possibility of defining 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 its previous view in relation to the relevant product market in this instance.
15. For the purposes of reviewing the competitive impact of the Proposed Transaction, the Commission assessed its impact by reference to: (i) the potential market for the supply of hotel accommodation generally and (ii) the potential market for the supply of 4 star hotel accommodation, given that the Athlone Springs Hotel is a 4 star hotel.

Geographic Market

16. With respect to the geographic scope of the market, the EU Commission has, in previous decisions, noted that the relevant geographic market for the potential market for the supply of hotel accommodation may be assessed both in respect of local and national markets.⁴ In previous cases, the Commission has left open the precise geographic market, while recognising the possibility of separate local or regional geographic markets, for example, County Dublin⁵, and Galway City and surrounding areas⁶.

³ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁴ 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

⁵ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁶ See the Commission's merger determination in *M/14/037 - Dalata/Pillo Hotel*

<https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-14-037-Dalata-Pillo-Hotel-Determination.pdf>



17. 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 whether the precise relevant geographic market is national or local (e.g., hotels within a 20 minute drive from the Athlone Springs Hotel).
18. As outlined above, Atlantic Troy is not active in Athlone and its surrounding areas. Therefore, from a local geographic market perspective the Proposed Transaction does not raise any horizontal competition concerns.
19. The Commission will, however, assess the likely competitive effects of the Proposed Transaction with respect to potential market for: (i) the supply of hotel accommodation generally in the State, and (ii) more specifically, the supply of 4 star hotel accommodation in the State⁷.

The supply of hotel accommodation in the State

20. On a national basis, the recent Fáilte Ireland quarterly register estimates that there are approximately 58,400 hotel rooms in the State.⁸ Atlantic Troy currently has 377 rooms and the Athlone Springs Hotel has 68 rooms, representing market shares of approximately 0.65% and 0.12%, respectively, of the total number of hotel rooms in the State. Therefore, following implementation of the Proposed Transaction, the parties' combined share of hotel rooms in the State would be less than 1% at approximately 0.77% of the total number of hotel rooms in the State.
21. Therefore, the Proposed Transaction is unlikely to raise any horizontal competition concerns in respect of the supply of hotel accommodation in the State.

⁷ Hotel accommodation as measured by the number of hotel rooms.

⁸ Fáilte Ireland Quarterly Register – Q4 2017

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



The supply of 4 star hotel accommodation in the State

22. In respect of the supply of 4 star hotel accommodation, it is estimated that there are approximately 30,300 rooms in the State.⁹ In respect of 4 star hotel accommodation, following implementation of the Proposed Transaction the parties' total of 445 rooms will represent a market share of approximately 1.47% with an accretion of approximately 0.22%.
23. Therefore, from a national geographic market viewpoint the Proposed Transaction is not likely to raise any horizontal competition concerns in respect of the supply of 4 star hotel accommodation in the State.
24. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in respect of the supply of 4 Star hotel accommodation in the State.

Vertical Relationship

25. The parties informed the Commission that there is no vertical relationship in the State between Atlantic Troy and the Target Assets. The Commission has not identified any vertical relationship between the parties. Therefore the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

26. 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

27. No ancillary restraints were notified.

⁹ Fáilte Ireland Quarterly Register – Q4 2017
http://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/2_Develop_Your_Business/4_Quality_Assurance/Quarterly-4-Register-2017.pdf



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 Supermac's (Holdings) Limited, through its wholly owned subsidiary, Atlantic Troy Limited, would acquire the property, certain assets and business operations constituting the Athlone Springs Hotel, Monksland, Athlone, Co Roscommon, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh

Member

Competition and Consumer Protection Commission