



DETERMINATION OF MERGER NOTIFICATION M/16/005 - DALATA / CLARION SLIGO

Section 21 of the Competition Act 2002

Proposed acquisition of the Clarion Hotel Sligo by Dalata Hotel Group p.l.c.

Dated 19 February 2016

Introduction

1. On 28 January 2016, in accordance with section 18(1) of the Competition Act 2002, as amended (“the 2002 Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Dalata Hotel Group p.l.c. (“Dalata”), through its wholly-owned subsidiary DHGL Limited (“DHGL”), would acquire certain assets, namely the Clarion Hotel Sligo (“Clarion Sligo”), from Thomas Coyle and Outlook Developments Limited (in Receivership).

The Proposed Transaction

2. The proposed transaction is to be implemented pursuant to:
 - (a) a contract for sale, dated 18 January 2016, between DHGL and Thomas Coyle and Outlook Developments Limited¹ acting by their receiver agent Aiden Murphy of Crowe Horwath Basthow Charleton (the “Receiver”).
 - (b) a business transfer agreement, dated 18 January 2016, between DHGL and Huius Limited² (in Receivership) acting by the Receiver.

The Undertakings Involved

The Acquirer - Dalata

3. Dalata, a public limited company headquartered in Sandyford, Dublin, is the holding company of the Dalata group of companies. Dalata is involved, through various wholly-owned subsidiaries, including DHGL, in the hotel sector in the

¹ Thomas Coyle is the current legal owner of the land on which the Clarion Sligo is constructed and Outlook Developments Limited (acting as a nominee company for the tax investors Deane Partnership) holds beneficial ownership of the Clarion Sligo.

² Prior to its being placed in receivership, Huius Limited operated the Clarion Sligo. Thomas Coyle is the sole shareholder of Huius Limited.



State and the UK.³ Dalata owns the Clayton and Maldron hotel brands and operates most, but not all, of its portfolio of hotels under those brands.

4. Within the State, Dalata, through various wholly-owned subsidiaries, operates a total of 31 hotels.⁴ Dalata owns 12 of these hotels: seven in Dublin, two in each of Galway and Wexford and one in Cork. Dalata operates 19 hotels owned by other parties in various locations in the State. Of these, 9 are operated on the basis of long term lease contracts (typically of 25 years' duration or more) and 10 are operated on the basis of short term management contracts (typically of 12 months' duration).⁵
5. Dalata, through its wholly-owned subsidiary Dalata Management Services Limited, currently operates the Clarion Sligo under a management agreement with the Receiver. This management contract would expire on completion of the proposed transaction and Dalata would acquire ownership of the Clarion Sligo.
6. For the financial year ended 31 December 2014, Dalata's worldwide turnover was approximately €79.1 million, of which approximately €72.7 million was generated in the State.

The Target – Clarion Sligo

7. The assets to be acquired comprise the Clarion Sligo, a four star⁶ hotel located in Sligo town. The Clarion Sligo's facilities include 163 rooms (including 89 suites with self-catering facilities), two restaurants, a lounge bar, a health and leisure club and meeting rooms with a total capacity of 550 persons.⁷
8. For the financial year ended 31 December 2015, Clarion Sligo's worldwide turnover was approximately €[...] million, all of which was generated in the State.

Rationale for the Proposed Acquisition

9. As stated in the Notification:

"It is an integral part of the Purchaser's strategy to acquire hotel assets and these hotels complement the Purchaser's existing hotels. The Vendors' commercial objective is to sell an asset in receivership."⁸

³ Dalata, through various wholly-owned subsidiaries, owns and operates the following hotels outside the State: Clayton Hotel Chiswick, London; the Clayton Crown Hotel, London; the Clayton Hotel Leeds; the Clayton Hotel Belfast; the Clayton Hotel Manchester Airport and the Maldron Hotel Derry. Dalata, through various wholly-owned subsidiaries, also operates the Clayton Hotel Cardiff in Wales under a long term lease and the Maldron Hotel Belfast under a management agreement.

⁴ [...].

⁵ Five hotels, including the Clarion Sligo, are operated under management contract with receivers. For more information on Dalata see <<http://dalatahotelgroup.com>>.

⁶ The 4 star rating identified by the parties corresponds to the Fáilte Ireland Hotel Classification Scheme ("Hotel Scheme") and, ultimately, the requirement that hotels operating in the State must be registered with Fáilte 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>.

⁷ For more information on the Clarion Sligo see <<http://www.clarionhotelsireland.com/sligo>>.

⁸ Notification page 6.



Third Party Submissions

10. No submission was received.

Competitive Analysis

Market Definition

11. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. While there are differences in the quality and range of services supplied by different hotels and also differences in relationships between hotel owners and hotel operators, it is not clear in this instance that these differences necessarily imply distinctly separate markets.
12. In previous cases in the hotel sector, the Commission has left the precise product market open while recognising the possibility of distinct 3 star and 4 star markets for hotel accommodation or, alternatively, a combined 3 and 4 star market for hotel accommodation.⁹ The Commission considers there are no reasons to depart from that view in this instance. However, for the purposes of reviewing the proposed transaction the Commission considers the narrowest relevant product market to be the market for the supply of 4 star hotel accommodation.
13. In this instance, the choice of geographic market, whether national encompassing the State or local such as Sligo town and surrounding areas (i.e., in this instance an approximate 20 minute drive time from Sligo town), will not materially alter the competitive impact of the notified transaction in the State. Consequently, the issue of the appropriate geographic market can be left open. However, for the purposes of reviewing the notified transaction, the Commission considers the narrowest relevant geographic market to be Sligo town and surrounding areas.¹⁰

Competitive Effects

14. At present, within a geographic market comprising Sligo town and surrounding areas, the Clarion Sligo has the largest market share (measured by number of rooms) in each of:
 - (a) a market for 4 star hotel accommodation (28.5%),¹¹ and

⁹ For example *M/14/035 Dalata/White's Hotel*, *M/14/040 Dalata/Moran/Bewleys*, *M/15/002-Atlantic Troy/Chareville Park Hotel* and *M/15/044 – Thornmont/Hilton Kilmainham*. See:

<<http://www.cpc.ie/enforcement/mergers/merger-notices/m14035-dalata-whites-hotel>>.

<<http://www.cpc.ie/enforcement/mergers/merger-notices/m14040-dalata-moranbewleys>>.

<<http://www.cpc.ie/enforcement/mergers/merger-notices/m15002-atlantic-charville-park-hotel>>.

<<http://www.cpc.ie/enforcement/mergers/merger-notices/m15044-thornmont-hilton-hotel-kilmainham>>.

¹⁰ This corresponds with the views of the parties set out in the Notification. The parties identify hotels in Sligo town and within a 20 minute driving time of Sligo town. The Commission considers that a substantial lessening of competition would not be suggested by any reasonable alternative geographic market definition.

¹¹ This market share figure is derived from a market including the Castle Dargan Hotel located at Ballygawley Co. Sligo approximately 20 minutes' drive time from the Clarion Sligo. Excluding the Castle Dargan Hotel from the market would not, however, have any material effect on the Clarion Sligo's market share.



(b) a combined market for 3 and 4 star hotel accommodation (19.1%).¹²

15. While the Clarion Sligo is the largest supplier of hotel services in each of a 4 star hotel accommodation market and a combined 3 and 4 star hotel accommodation market, this does not, for the reasons set out below, imply a substantial lessening of competition as a result of the proposed transaction.
16. The proposed transaction will have no impact on the market structure for the supply of hotel accommodation within Sligo and surrounding areas. Dalata already operates the Clarion Sligo under a management agreement with the Receiver and does not operate any other hotels within Sligo and surrounding areas.¹³
17. The merged entity will continue to face competition from other 4 star hotels within Sligo and surrounding areas, such as the Glasshouse Hotel at Swann Point, the Sligo Radisson Blu Hotel and Spa and the Sligo Park Hotel and Leisure Club, and also 3 star hotels within Sligo and surrounding areas, such as the Great Southern Hotel Sligo, the Sligo City Hotel and Yeats Country Hotel, Spa and Leisure Club at Rosses Point.
18. Also, as noted in previous Commission determinations, consumers have on-line access to information such as pricing and rating information. The availability of on-line information, and the extent to which it provides a competitive constraint, will remain unchanged by the implementation of the proposed transaction.

Vertical Issues

19. The proposed transaction involves the vertical integration of the hotel ownership and hotel operations of the Clarion Sligo. In this instance, however, the vertical integration of ownership and operation of the Clarion Sligo does not give rise to vertical competition concerns.

Conclusion

20. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

21. No ancillary restraints were notified.

¹² This market share figure is derived from a market including the Markree Castle Hotel at Collooney Co, Sligo approximately 20 minutes' drive time from the Clarion Sligo. Excluding the Markree Castle Hotel from the market would not, however, have any material effect on the Clarion Sligo's market share.

¹³ [...] Dalata currently operates the Diamond Coast Hotel in Enniscrone, Co. Sligo, which is approximately 50 minutes' drive time by car from Sligo town and therefore does not fall within a geographic market definition of 20 minutes' drive time from Sligo town. [...]



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 Dalata Hotel Group p.l.c., through its wholly-owned subsidiary DHGL Limited, would acquire certain assets, namely the Clarion Hotel Sligo, from Thomas Coyle and Outlook Developments Limited (in Receivership) 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

Isolde Goggin
Chairperson
Competition and Consumer Protection Commission