



DETERMINATION OF MERGER NOTIFICATION M/18/037 - SCIF/CONNEMARA COAST HOTEL

Section 21 of the Competition Act 2002

Proposed acquisition by Strategic Capital Investment Fund ICAV of the property, certain assets and business operations constituting Connemara Coast Hotel, Furbo, Co Galway

Dated 12 June 2018

Introduction

1. On 8 May 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 SCIF Hotels Limited Partnership (“SCIF”) acting through its Isle of Man incorporated general partner, SCIF Hotels General Partner, would acquire the property, certain assets and business operations constituting the Connemara Coast Hotel, Furbo, Co Galway (the “Target Assets”) (the “Proposed Transaction”). SCIF’s ultimate parent is Strategic Capital Investment Fund ICAV.

The Proposed Transaction

2. The Target Assets comprise the Connemara Coast Hotel property in Furbo, Co. Galway and the business and certain trade assets of the Connemara Coast Hotel. The parties have informed the Commission that the Proposed Transaction involves: (i) the acquisition of the Connemara Coast Hotel property by SCIF Hotels General Partner, acting as general partner on behalf of SCIF, from Simon Limited on the terms of a contract for sale between those parties dated 27 April 2018 and (ii) an Asset Purchase Agreement (the “APA”) dated 27 April 2018 concluded between Simon Limited and Coalbrook Limited (collectively the “Vendors”) and Connemara Coast Hospitality Limited (“CCHL”).



3. SCIF, the operating companies which operate the hotels in its portfolio and CCHL are referred to collectively in this determination as the “SCIF Group”.

The Undertakings Involved

The Acquirer - SCIF Group

4. Strategic Capital Investment Fund ICAV, formerly Strategic Capital Investment Fund Public Limited Company, was registered and came into operation as an Irish Collective Asset-management Vehicle (“ICAV”) on 21 December 2017¹. As noted above, Strategic Capital Investment Fund ICAV is the ultimate parent of SCIF. The SCIF Group comprises: SCIF, an Irish-registered limited partnership which operates through its Isle of Man-registered general partner (i.e., SCIF Hotels General Partner); a number of operating companies in the State operating the hotels in its portfolio; and CCHL. The operating companies are as follows: Mount Wolseley Hospitality Ltd., Diamond Coast Hospitality Ltd., Anner Hospitality Ltd., Metro Santry Ltd., Waterford Hospitality Ltd., Cavan Crystal Hospitality Ltd., Farnham Hospitality Ltd., Aghadoe Hospitality Ltd and McWilliam Park Hospitality Limited (each an “Operating Company”, collectively the “Operating Companies”).
5. The SCIF Group currently owns the following nine hotels in the State:
 - The Mount Wolseley Hotel, Spa & Golf Resort which offers 143 rooms in Co. Wicklow and is classified as a *4 star* hotel by Fáilte Ireland²;
 - The Diamond Coast Hotel which offers 95 rooms in Enniscrone, Co. Sligo and is classified as a *4 star* hotel by Fáilte Ireland;
 - The Anner Hotel which offers 95 rooms in Thurles, Co. Tipperary and is classified as a *4 star* hotel by Fáilte Ireland;

¹ The Irish Collective Asset-Management Vehicles Act 2015 (“the Act of 2015”) allows for, *inter alia*, the conversion of companies that were incorporated under the Companies Act 2014 or previous acts to an ICAV upon authorisation by the Central Bank. The procedure for registration and authorisation of Irish Collective Asset-Management Vehicles (“ICAVs”) is outlined at Part 2 of the Act of 2015. Chapter 1 empowers the Central Bank of Ireland to make a registration order in respect of an ICAV. A Registration order was issued by the Central Bank of Ireland in respect of Strategic Capital Investment Fund on 21 December 2017.

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 Metro Hotel Dublin Airport, which offers 88 rooms in Ballymun, Dublin 9 and is classified as a 3 *star* hotel by Fáilte Ireland;
- The Fitzwilton Hotel which offers 90 rooms in Waterford city and is classified as a 4 *star* hotel by Fáilte Ireland;
- The Cavan Crystal Hotel which offers 85 rooms in Cavan town and is classified as a 4 *star* hotel by Fáilte Ireland;
- The Farnham Estate Spa & Golf Resort which offers 158 rooms in Co. Cavan and is classified as a 4 *star* hotel by Fáilte Ireland;
- The Aghadoe Heights Hotel & Spa which offers 74 rooms in Killarney, Co. Kerry and is classified as a 5 *star* hotel by Fáilte Ireland; and,
- The McWilliam Park Hotel which offers 103 rooms in Claremorris, Co. Mayo and is classified as a 4 *star* hotel by Fáilte Ireland.

Management of the SCIF Group Hotels

6. In the case of each of the nine hotels referred to in the preceding paragraph, SCIF, acting by its general partner SCIF Hotels General Partner, has entered into a long term operating lease with the relevant Operating Company for each hotel. The Operating Companies, which are listed in paragraph 4 above, are part of the SCIF Group. A third party service provider (Windward Management Limited) is used to provide management services to seven of the hotels in the SCIF Group. The SCIF Group itself manages the other two hotels in its portfolio, namely, the Diamond Coast Hotel and the Metro Hotel Dublin Airport.
7. Following implementation of the Proposed Transaction, the SCIF Group intends to appoint Windward Management Limited to provide management services to the Connemara Coast Hotel.
8. Windward Management Limited provides management services to five other hotels in the State. These hotels are: Fleet Street Hotel, Dublin; the Radisson Blu Hotel and the Hilton Hotel at Dublin Airport; the Tullamore Court Hotel in Tullamore; and The Park Inn



Hotel at Shannon Airport³. None of these hotels are located in close proximity to the Connemara Coast Hotel in Furbo, Co Galway or its surrounding areas. Windward Management Limited does not own any hotels in the State.

9. For the financial year ending 31 December 2017, the SCIF Group's estimated combined turnover for its existing hotels is €[...], all of which was generated in the State.

The Target Assets

10. The Target Assets consist of the hotel property and the business and assets comprising the Connemara Coast Hotel, at Furbo, Co Galway.
11. The Target Assets comprise a 4 *star* hotel located in Furbo, Co Galway with 141 bedrooms, a leisure centre (including swimming pool), two all-weather tennis courts, bars, restaurants, and function and meeting rooms. At present the Connemara Coast Hotel is owner operated.
12. For the financial year ended December 2017, the Target Assets' turnover was approximately €[...] all of which was generated in the State.

Rationale for the Proposed Acquisition

13. The SCIF Group state the following in the notification:

“The objective of the Buyers is to add to their portfolio a promising asset in an area in which they do not have an existing presence with a view to providing a profitable hotel and hospitality offering.”

Third Party Submissions

14. No submission was received.

Competitive Analysis

Horizontal Overlap

³ See <https://www.winmgt.ie/hotels.html>



15. There is a horizontal overlap in the State between the activities of the SCIF Group and the Target Assets with respect to the supply of hotel accommodation.

Product Market

16. 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.
17. In previous merger determinations in the hotel sector,⁴ 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.
18. 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 Connemara Coast Hotel is a *4 star* hotel.

Geographic Market

19. With respect to the geographic scope of the market, the European 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.⁵

⁴ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane* <https://www.cccpc.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁵ 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



20. 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 Dublin⁶, and Galway City and surrounding areas⁷.
21. 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 Connemara Coast Hotel).
22. As outlined above, the SCIF Group is not active in Furbo and its surrounding areas. Therefore, from a local geographic market perspective the Proposed Transaction does not raise any horizontal competition concerns.
23. 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 State⁸.

The supply of hotel accommodation in the State

24. On a national basis, the recent Fáilte Ireland quarterly register estimates that there are approximately 58,400 hotel rooms in the State.⁹ The SCIF Group currently has [...] rooms and the Connemara Coast Hotel has 141 rooms, representing approximately [...] % and [...] % market share of the total number of hotel rooms in the State, respectively. Therefore, following implementation of the Proposed Transaction the parties combined

⁶ See, for example, the Commission's merger determination in *M/17/027 – Dalata/Clarion Liffey Valley/Clayton Cardiff Lane*
<https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/05/M-17-027-Dalata-Clarion-Clayton-Public-1.pdf>

⁷ See the Commission's merger determination in *M/14/037 - Dalata/Pillo Hotel*
<https://www.ccpic.ie/business/wp-content/uploads/sites/3/2017/05/M-14-037-Dalata-Pillo-Hotel-Determination.pdf>

⁸ Hotel accommodation as measured by the number of hotel rooms.

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



share of hotel rooms in the State would be approximately [...] % of the total number of hotel rooms in the State.

25. Therefore, the Proposed Transaction is unlikely to raise any horizontal competition concerns in respect of the supply of hotel accommodation in the State.

The supply of 4 star hotel accommodation in the State

26. In respect of the supply of 4 star hotel accommodation, it is estimated that there are approximately 30,300 rooms in the State.¹⁰ In respect of 4 star hotel accommodation, following implementation of the Proposed Transaction the parties' total of [...] rooms will represent a market share of approximately [...] % with an accretion of approximately [...] %.

27. 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.

28. 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

29. There is a potential vertical overlap between the SCIF Group and the Target Assets. The SCIF Group Operating Companies provide management services to two of the hotels owned by the SCIF Group. A third party service provider (Windward Management Limited) is used to provide management services to the remaining seven hotels in the SCIF Group. At present the Connemara Coast Hotel is owner operated and there is no third party service provider appointed to provide hotel management services.

30. Following implementation of the Proposed Transaction it is proposed that Windward Management Limited will be appointed to provide management services to the

¹⁰ 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



Connemara Coast Hotel. However the Commission is of the view that this does not raise any vertical competition concerns considering (i) the relatively small market shares of the parties in the State and (ii) as Windward Management Limited does not own or provide any management services to hotels in Furbo or surrounding area.

31. Therefore the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

32. 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

33. Paragraph 18 of the APA contains restrictive covenants on the Vendors, in particular non-compete and non-solicitation obligations for a period of two years. The duration of these restrictive covenants does not exceed the maximum duration acceptable to the Commission. The Commission considers that these restraints are directly related and necessary to the implementation of the Proposed Transaction¹¹.

¹¹ In this respect, the Commission follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2002). For more information see [http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN)



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 SCIF Hotels Limited Partnership acting by its general partner, SCIF Hotels General Partner, would acquire the property, certain assets and business operations constituting the Connemara Coast Hotel, Furbo, Co Galway, 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

Patrick Kenny

Member

Competition and Consumer Protection Commission