



DETERMINATION OF MERGER NOTIFICATION M/08/032 – FIRST CHOICE/SUNSHINE CRUISES

Section 21 of the Competition Act 2002

Proposed acquisition of part of the business of Sunshine Cruises Limited (t/a Island Cruises) by First Choice Holidays Limited

Dated 24/10/08

Introduction

1. On 7 October 2008 the Competition Authority (“the Authority”), in accordance with section 18(1)(a) of the Competition Act, 2002 (“the Act”) was notified of a proposal whereby TUI Travel PLC (“TTPLC”), through its wholly-owned subsidiary, First Choice Holidays Limited (“First Choice”), would acquire sole control over part of the business of Sunshine Cruises Limited (t/a “Island Cruises”) from its joint venture partner, Royal Caribbean Cruises Limited (“RCCL”). The business to be acquired comprises the operation of the *Island Escape* cruise vessel (the “Target Business”). Following the proposed transaction, the Target Business will be wholly-owned by TTPLC.

The Undertakings Involved

The Acquirer

2. First Choice is a wholly-owned subsidiary of TTPLC. TTPLC was formed in 2007 by the merger of First Choice Holidays PLC and the Tourism Division of TUI.¹ TUI owns approximately 51 per cent of the issued share capital of TTPLC. TTPLC is a FTSE 100 company listed on the London Stock Exchange, which is active in the leisure travel sector.
3. TTPLC operates in 180 countries worldwide.² TTPLC operates five cruise vessels, which are chartered by TUI UK and trade under the Thomson Cruises brand:
 - *Thomson Spirit*
 - *Thomson Destiny*
 - *Thomson Celebration*
 - the *Emerald*
 - the *Calypso*.
4. Four of these vessels are operated under charter from Louis Cruise Lines and one vessel under charter from Holland America Line (which is part of the Carnival Group). The vast majority of Thomson Cruises’ holidays using these five vessels are sold in the United Kingdom [], with cabins also allocated to TUI for sales in Scandinavia [] and the remaining [] is allocated primarily to Budget Travel for sales in the State.³

¹ This transaction was notified to the European Commission. See Commission Decision of 4 June 2007, Case No. M/4600/Tui/Firstchoice.

² For more information on the activities of TTPLC, visit the following websites: www.tui-group.com, www.tuitravelplc.com and www.thomson.co.uk/cruise/cruise.html.

³ A small percentage of Thomson Cruises holidays in the State are sold through [].

The Target

5. Island Cruises is a 50/50 joint venture between TTPLC and RCCL. Island Cruises operates two cruise vessels, the *Island Escape* and the *Island Star*. It owns the *Island Escape* and operates the *Island Star* under a bareboat charter⁴ with Fantasia Cruising Inc ("Fantasia"). Fantasia is a wholly-owned subsidiary of RCCL. Island Cruises, via its wholly-owned subsidiary Sunshine Cruise Holidays Limited, also owns and operates a [] travel agency which trades as []. [] sells cruise holidays only to customers in [] (through both call centre operations and online sales).
6. In the last financial year, Island Cruises sold cruises to [] passengers of which [] [or less than 5%] were based in the State. The remaining passengers were based in the United Kingdom [] and Brazil [].

The Seller

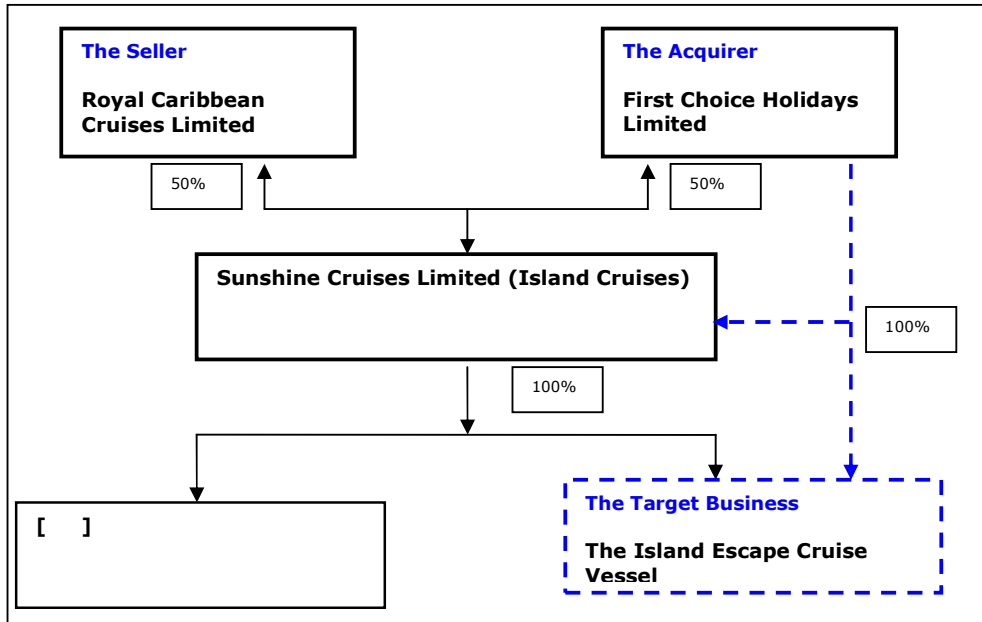
7. RCCL is a global cruise holiday company that provides cruise holidays under the following brands:
 - Royal Caribbean International
 - Celebrity Cruises
 - Pullmantur Cruises
 - Azamara Cruises
 - CDF Croisières de France
8. RCCL also offers: (i) to a very limited extent as an optional add-on to its cruise customers fully escorted, premium land-based package holidays in Alaska, Australia, Canada, Europe and New Zealand through Royal Celebrity tours; and (ii) land-based package holidays primarily to Spanish and Latin American customers through Pullmantur Cruises.
9. RCCL is the [] supplier of ocean cruise holidays to customers in the State [].

The Proposed Transaction

10. The proposed transaction is illustrated in Figure 1 below.
11. Figure 1 show that, pre-acquisition, Island Cruises is a 50/50 joint venture between RCCL and TTPLC. Post-acquisition, TTPLC, through First Choice, will acquire sole control of the Target Business from its joint venture partner RCCL. The Target Business consists only of that part of the Island Cruises business which involves the operation of the *Island Escape* cruise vessel.
12. RCCL, on the other hand, []. However, this transaction is not notifiable in Ireland due to the fact [] does not satisfy the thresholds laid down in section 18(1) of the Act.

⁴ This refers to the charter of a boat or cruise vessel without any crews or supplies for a specified period of time.

Figure 1
The Proposed Transaction: Acquisition of Sole Control over Island Cruise



Source: The Competition Authority based on the Parties' Submission

Analysis

13. There is horizontal overlap in the parties' activities concerning the supply of ocean cruise holidays to customers in the State. TTPLC operates five cruise vessels, which are chartered by TUI UK and trade under the Thomson Cruises brand. Island Cruises operates two cruise vessels, the *Island Escape* and the *Island Star*. In connection with the proposed transaction, Island Cruises will terminate early its charter agreement in respect of the *Island Star*. That agreement will terminate in April 2009.

14. Table 1 below presents the market shares of suppliers of ocean cruise holidays to passengers in the State based on the parties' estimates.

Table 1
Estimated Total Annual Ocean Cruise Passengers, the State,
October 2008

Company	Brands	Passengers	Pre-merger Market Share (%)	Post-merger Market Share (%)
TTPLC	<i>Thomson Cruises</i>	-	[10-20]	[20-30]*
Island Cruises (TTPL/RCCL JV)	<i>Island Escape</i>	-	[10-20]	-
	<i>Island Star</i>	-		[0-10]
RCCL	<i>Royal Caribbean International</i> <i>Celebrity Cruises</i>	-	[50-60]	[50-60]
Norwegian Cruise Line	<i>Norwegian Cruise Line</i>	-	[0-10]	[0-10]
Carnival Group	<i>Carnival</i> <i>Costa</i> <i>P&O</i> <i>Ocean Village</i>	-	[0-10]	[0-10]
MSC Cruises	<i>MSC Cruises</i>	-	[0-10]	[0-10]
TOTAL		-	100	100

Note: * TTPLC's post-acquisition share of []% adding Thomson Cruises' []% and Island Escape's []%.

Source: The Competition Authority, based on the Parties' submission

15. Table 1 show that all the suppliers of cruise holidays to passengers in the State are foreign operators. As of October 2008, Thomson Cruises has [10-20]% and Island Cruises accounts for [10-20]% of the market. In the same period, *Island Escape* and *Island Star* carried [] number of passengers, that is, [] passengers []. This implies that, pre-acquisition, TTPLC (through its ownership of the Thomson Cruises business and its joint control of the Island Cruises business) accounts for, [less than 30%] of the share of Irish ocean cruise passengers.

16. As a result of the proposed transaction, TTPLC's market share will be [less than 30%] if it acquired all the cruise businesses currently offered by Island Cruises. This is, however, not the case given that the Target Business will comprise only one of the two cruise ships currently operated by Island Cruises. There are no switching costs and passengers currently booked on the *Island Star* are under no obligation to transfer to a cruise offered by TTPLC. If post-acquisition, the passengers that are currently booked on *Island Star* do not transfer to TTPLC, TTPLC will account for [10-20]% of the market. If this were to occur, the proposed acquisition will result in a reduction in the market share currently held by TTPLC, from [20-30]% to [10-20]%. Notwithstanding this, the proposed transaction is unlikely to lead to an increase in the market share of TTPLC given that the bareboat charter agreement concerning *Island Star* will terminate in April 2009.

17. The Authority's review reveals that: (a) the proposed transaction is likely to result in a reduction in the market share currently controlled by TTPLC, and (b) TTPLC will continue to face competition from RCCL and other cruise operators in the market. The other cruise operators include:

- (i) Norwegian Cruise Line which operates a 12-ship fleet and sets sail to over 140 ports of call on four continents;
- (ii) Carnival Group offers well known cruise brands like P&O Cruises and Princess Cruises; and,
- (iii) MSC Cruises operates a ten-ship fleet and has commissioned

the building of a duo of 133,500-ton, 3,300-passenger vessels, namely, MSC *Fantasia* and MSC *Splendida*. *Fantasia* is expected to debut in fall of 2008 and *Splendida*'s launch is planned for spring 2009. This will bring MSC Cruises' fleet to 12 ships by 2010.

18. In addition, as there are no switching costs, any attempted increase in price by TTPLC will cause passengers to switch to one of these cruise operators.

19. Therefore the Authority considers that the proposed transaction does not raise competition concerns in the State.

Determination

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by TUI Travel PLC, through its wholly-owned subsidiary, First Choice Holidays Limited, of sole control over Island Cruises will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority